
***THE MISSOURI HISTORY MUSEUM
SUBDISTRICT OF THE
METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
OF ST. LOUIS AND ST. LOUIS COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2016***

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Independent Auditors' Report

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
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the governmental 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, 2016, and the related notes to the financial statements, which collectively comprise the Subdistrict's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 governmental fund of the Subdistrict as of December 31, 2016 and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 25 and 26 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.

RubinBrown LLP

April 6, 2017

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 For The Year Ended December 31, 2016

The management's discussion and analysis (MD&A) 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 analysis of the Subdistrict's financial activities based on currently known facts, decisions, and conditions. The management's discussion and analysis should not be taken as a replacement for the basic 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 support from the Metropolitan Zoological Park and Museum District (the District), less management fees, was \$10.9 million and \$10.8 million in 2016 and 2015, respectively. The Subdistrict's share of support is based upon assessed valuations of properties within St. Louis City and County.
- The year-end balance of receivables due from the District was \$11.3 million and \$10.9 million in 2016 and 2015, respectively. This included taxes receivable of \$6.2 million at December 31, 2016 and 2015. The amount of the receivable is dependent upon the timing of remittances of tax receipts at year end from taxpayers to the Collector of Revenue for the City of St. Louis and St. Louis County.

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 position 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 position presents information on all of the Subdistrict's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position may serve as a useful indicator of whether or not the financial position of the Subdistrict is improving or deteriorating. The statement of net position also provides information on unrestricted net position and net position invested in capital assets.

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Management's Discussion And Analysis (*Continued*)

The statement of activities presents information showing how the Subdistrict's net position changed during the most recent fiscal year. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 the Subdistrict itself (the *primary government*), as well as a legally separate not-for-profit organization, Missouri Historical Society (MHS), 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 which 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 position for governmental activities as shown on the statement of net position. The net change in fund balance for the governmental fund is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Subdistrict's fund balance has been classified as committed, as the existing resources in the fund have been specifically committed to satisfy certain contractual requirements pertaining to history museum services.

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 government-wide 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.

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Management's Discussion And Analysis (*Continued*)

Financial Analysis of the Subdistrict as a Whole

Net position

On a government-wide basis, the Subdistrict's net position was \$11.6 million at December 31, 2016 and is 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
Statements Of Net Position
December 31, 2016 And 2015**

| | <u>2016</u> | <u>2015</u> |
|----------------------------|----------------------|----------------------|
| Assets: | | |
| Current and other assets | \$ 11,267,448 | \$ 10,930,539 |
| Capital assets, net | 343,464 | 361,926 |
| Total Assets | <u>\$ 11,610,912</u> | <u>\$ 11,292,465</u> |
| Net Position: | | |
| Invested in capital assets | 343,464 | 361,926 |
| Unrestricted | 11,267,448 | 10,930,539 |
| Total Net Position | <u>\$ 11,610,912</u> | <u>\$ 11,292,465</u> |

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the Subdistrict, assets exceeded liabilities by approximately \$11.6 million at the close of the current fiscal year.

Approximately 2.96% of the Subdistrict's net position reflects its investment of \$343,464 in capital assets. The Subdistrict uses these capital assets to provide services; consequently, these assets are not available for future spending.

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Management's Discussion And Analysis (*Continued*)

Governmental activities

The following schedule shows the revenues and expenses for the Subdistrict's activities for the years ended December 31, 2016 and 2015.

**The Missouri History Museum Subdistrict
Of The Metropolitan Zoological Park
And Museum District Of The City Of
St. Louis And St. Louis County
Statements Of Activities
For The Years Ended December 31, 2016 And 2015**

| | 2016 | 2015 |
|--|---------------|---------------|
| Revenues: | | |
| General Revenues: | | |
| Support from the Metropolitan Zoological Park and Museum District (ZMD) | \$ 10,974,861 | \$ 10,834,219 |
| Excess ZMD assessment | 447,162 | 480,662 |
| Amounts withheld by the ZMD | (548,883) | (522,496) |
| Total Revenues | 10,873,140 | 10,792,385 |
| Expenses: | | |
| General government | 74,031 | 76,136 |
| Payments to Missouri Historical Society - History museum services | 10,480,662 | 10,420,600 |
| Total Expenses | 10,554,693 | 10,496,736 |
| Change in net position | 318,447 | 295,649 |
| Net position, beginning of year | 11,292,465 | 10,996,816 |
| Net position, end of year | \$ 11,610,912 | \$ 11,292,465 |

The Subdistrict's total revenue for 2016 on a government-wide basis was \$10.9 million. Support from the Metropolitan Zoological Park and Museum District, less management fees of \$548,883, accounted for all of the Subdistrict's revenue.

For 2016, the total cost of all programs and services was \$10.6 million. Amounts passed through to MHS as reimbursement for museum services and capital projects comprised 99.3% of the Subdistrict's total expenses, while the Subdistrict's general government expenses comprised only 0.7% of the total.

Governmental activities increased the Subdistrict's net position by \$318 thousand.

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Management's Discussion And Analysis (*Continued*)

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, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Subdistrict's fund balance has been classified as committed, as the existing resources in the fund have been specifically committed to satisfy certain contractual requirements pertaining to history museum services.

At December 31, 2016, the committed fund balance of the general fund was \$9.6 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 91.3%.

The total fund balance in the Subdistrict's general fund increased by \$242 thousand or 2.6%. The change in the current fiscal year's fund balance is primarily due to the timing of the payment of property taxes by citizens of the City of St. Louis and St. Louis County, which affects the support provided by the Metropolitan Zoological Park and Museum District.

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 2016; therefore, the original budget and the final budget are identical. Revenues exceeded budgetary estimates by 3.3% and expenditures totaled 99.97% of budget.

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Management's Discussion And Analysis (*Continued*)

Capital Assets

The Subdistrict has invested \$343,464 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, 2016**

| | Governmental Activities |
|----------|----------------------------|
| Land | \$ 105,000 |
| Building | 238,464 |
| | <u>\$ 343,464</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 Frank Hamsher, Chairman
P.O. Box 11940
St. Louis, MO 63112-0040

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT OF THE
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**STATEMENT OF NET POSITION/NET ASSETS
December 31, 2016**

| | <u>Primary Government Governmental Activities</u> | <u>Discretely Presented Component Unit Missouri Historical Society</u> |
|---|---|--|
| Assets | | |
| Cash | \$ 11,287 | \$ 7,338,688 |
| Due from the Metropolitan Zoological Park and Museum District | 5,080,413 | — |
| Investments | — | 47,731,633 |
| Receivables: | | |
| Support from the Metropolitan Zoological Park and Museum District, net | 6,175,748 | — |
| Grants and accounts receivables | — | 104,847 |
| Pledges receivable, net | — | 2,089,246 |
| Accrued investment income | — | 71,657 |
| Prepaid expenses | — | 354,469 |
| Inventories | — | 170,970 |
| Other | — | 5,741 |
| Capital assets, net: | | |
| Nondepreciable - land | 105,000 | 661,510 |
| Nondepreciable - construction in progress | — | 72,897 |
| Depreciable: | | |
| Building, net | 238,464 | — |
| Leasehold improvements and buildings, net | — | 22,395,232 |
| Furniture, fixtures, and equipment, net | — | 1,789,450 |
| Total Assets | 11,610,912 | 82,786,340 |
| Liabilities | | |
| Accounts payable | — | 1,734,415 |
| Long-term liabilities: | | |
| Due within one year | — | 541,854 |
| Due within one year | — | 590,199 |
| Total Liabilities | — | 2,866,468 |
| Net Position/Net Assets | | |
| Invested in capital assets | 343,464 | 24,919,089 |
| Restricted: | | |
| Expendable | — | 17,331,727 |
| Nonexpendable | — | 13,698,190 |
| Unrestricted | 11,267,448 | 23,970,866 |
| Total Net Position/Net Assets | \$ 11,610,912 | \$ 79,919,872 |

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT OF THE
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**STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue And Changes In Net Position/Net Assets | |
|--|----------------------|-------------------------|--|--|---|--|
| | | Charges For Services | Operating Grants And Contributions | Capital Grants And Contributions | Primary Governmental Activities | Discretely Presented Component Unit Missouri Historical Society |
| Primary Government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 74,051 | \$ 20 | \$ — | \$ — | \$ (74,031) | \$ — |
| Museum services: | | | | | | |
| Payments to Missouri Historical Society - History museum services | 10,480,662 | — | — | — | (10,480,662) | — |
| Total Primary Government | \$ 10,554,713 | \$ 20 | \$ — | \$ — | (10,554,693) | — |
| Discretely Presented Component Unit: | | | | | | |
| Missouri Historical Society | \$ 21,213,921 | \$ 1,606,103 | \$ 11,891,234 | \$ — | — | (7,716,584) |
| General revenues: | | | | | | |
| Support from the Metropolitan Zoological Park and Museum District | | | | | 10,969,739 | — |
| Interest income | | | | | 18,094 | — |
| Change in provision for amounts receivable | | | | | (12,972) | — |
| Excess Metropolitan Zoological Park and Museum District assessments | | | | | 447,162 | — |
| Amounts withheld by the Metropolitan Zoological Park and Museum District | | | | | (548,883) | — |
| Net support provided to Missouri History Museum Subdistrict | | | | | 10,873,140 | — |
| Investment earnings | | | | | — | 3,078,641 |
| Support provided by Missouri History Museum Subdistrict | | | | | — | 10,480,662 |
| Total general revenues | | | | | 10,873,140 | 13,559,303 |
| Change in net position/net assets | | | | | 318,447 | 5,842,719 |
| Net position/net assets - beginning of year | | | | | 11,292,465 | 74,077,153 |
| Net position/net assets - end of year | | | | | \$ 11,610,912 | \$ 79,919,872 |

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

**BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016**

| | General Fund |
|---|-------------------------|
| Assets | |
| Cash | \$ 11,287 |
| Due from the Metropolitan Zoological Park and Museum District | 5,080,413 |
| Support from the Metropolitan Zoological Park and Museum District receivable, net | 6,175,748 |
| Total Assets | \$ 11,267,448 |
| Deferred Inflows Of Resources | |
| Unavailable support from the Metropolitan Zoological Park and Museum District | 1,645,565 |
| Fund Balance | |
| Committed | 9,621,883 |
| Total Liabilities and Fund Balance | \$ 11,267,448 |
| Reconciliation Of The Balance Sheet Of Governmental Fund To The Statement Of Net Position: | |
| Total fund balance - governmental fund - balance sheet | \$ 9,621,883 |
| 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 position. | 343,464 |
| Property taxes levied by the Metropolitan Zoological Park and Museum District (District) are assessed on January 1st of each calendar year, but are not due until December 31st. Support from the District that is based upon delinquent taxes assessed on January 1, 2016 or prior, which were not received within the period of availability, are deferred inflows within the fund financial statements. However, revenue for these amounts is recognized in the government-wide financial statements. | 1,645,565 |
| Total net position - governmental activities - statement of net position | \$ 11,610,912 |

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT OF THE
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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE GOVERNMENTAL FUND
December 31, 2016**

| | <u>General Fund</u> |
|--|-------------------------|
| Revenues | |
| Support from the Metropolitan Zoological Park and Museum District | \$ 10,861,416 |
| Excess Metropolitan Zoological Park and Museum District assessments | 447,162 |
| Amounts withheld by the Metropolitan Zoological Park and Museum District | (548,883) |
| Total Receipts | <u>10,759,695</u> |
| Interest income | 18,094 |
| Rental income | 20 |
| Total Revenues | <u>10,777,809</u> |
| Expenditures | |
| Payments to the Missouri Historical Society - | |
| History museum services | 10,480,662 |
| General government | 55,589 |
| Total Expenditures | <u>10,536,251</u> |
| Net change in fund balance | 241,558 |
| Fund Balance | |
| Beginning of year | <u>9,380,325</u> |
| End of year | <u>\$ 9,621,883</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 | \$ 241,558 |
| 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) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Such amounts are attributable to revenues received after the 60 day period of availability. This amount represents the change in deferred inflows of resources. | <u>95,351</u> |
| Change in net position - government activities - statement of activities | <u>\$ 318,447</u> |

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT OF THE
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**COMBINED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016**

| | <u>Discretely Presented Component Unit Missouri Historical Society</u> |
|---|--|
| Cash Flows From Operating Activities | |
| Change in net assets | \$ 5,842,719 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 1,393,853 |
| Contributions restricted for endowment | (1,013,106) |
| Net realized losses on investments | 465,983 |
| Net unrealized gains on investments | (1,841,663) |
| Changes in assets and liabilities: | |
| Decrease in receivables | 1,103,027 |
| Decrease in inventories, prepaid expense and other | 139,095 |
| Increase in accounts payable and accrued liabilities | 1,316,323 |
| Decrease in deferred revenue | (81,256) |
| Decrease in obligations under split-interest agreements | (38,395) |
| Increase in other liabilities | 41,852 |
| Net Cash Provided By Operating Activities | <u>7,328,432</u> |
| Cash Flows From Investing Activities | |
| Proceeds from sales of investments | 27,259,506 |
| Purchases of investments | (30,071,237) |
| Purchase of property | (1,193,367) |
| Net Cash Used In Investing Activities | <u>(4,005,098)</u> |
| Cash Flows From Financing Activities | |
| Proceeds from contributions restricted for endowment | <u>915,000</u> |
| Net Increase In Cash | 4,238,334 |
| Cash - Beginning Of Year | <u>3,100,354</u> |
| Cash - End Of Year | <u>\$ 7,338,688</u> |

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2016**

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 support from the District and to pay for history museum services (currently provided by the Missouri Historical Society).

The financial statements of the Subdistrict have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the Subdistrict and the Missouri Historical Society (MHS):

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, MHS.

MHS is included as a discretely presented component unit of the Subdistrict because the Subdistrict is financially accountable for MHS, as MHS is fiscally dependent upon the Subdistrict and the Subdistrict approves MHS' budget. However, the Subdistrict's relationship with MHS 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 MHS is presented in a separate column in the accompanying government -wide basic financial statements to emphasize that it is legally separate from the Subdistrict. The Subdistrict has no authority over the selection of MHS' Board of Trustees or management. MHS is reported as a not-for-profit entity on the full accrual basis.

The accompanying basic financial statements present condensed financial statements and footnotes of MHS. Complete financial statements of MHS may be obtained from its administrative offices as follows:

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

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Notes To Combined Financial Statements (*Continued*)

Government-Wide And Fund Financial Statements

The government-wide financial statements (that is, the statement of net position/net assets and the statement of activities) report information on all of the activities of the Subdistrict and the Museum. 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 Museum, its discretely presented component unit.

The government-wide 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. Support from the District, 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 position for governmental activities as shown on the statement of net position. The net change in fund balance for the governmental fund is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Subdistrict's fund balance has been classified as committed, as the existing resources in the fund have been specifically committed to satisfy certain contractual requirements as described more fully in Note 5 to the financial statements.

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.

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Notes To Combined Financial Statements (*Continued*)

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.

The Subdistrict's 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. Support from the District represents a continuous appropriation to the Subdistrict by the District. Accordingly, the Subdistrict recognizes support from the District based on an allocation of property taxes which are levied by the District, net of management fees.

Basis Of Presentation - MHS

MHS follows accounting standards set by the FASB. The financial statement presentation follows the requirements of FASB Accounting Standards Codification (ASC) 958-205.

Fair Value Measurements

The fair value of MHS' financial instruments classified as cash, receivables, inventories, prepaid expenses, accounts payable and other liabilities and long-term liabilities due within one year approximate carrying value due to the short-term nature of these accounts.

MHS determines the fair value of certain assets and liabilities on a recurring basis through application of ASC 820.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

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In accordance with ASC 820, \$39,752,670 of the investment balance at December 31, 2016 was valued using Level 1 inputs based on unadjusted quoted market prices within active markets. The remaining \$7,978,963 of the investment balance at December 31, 2016 was valued using Level 2 inputs based primarily on available quoted prices for similar assets in active or inactive markets.

Investments

MHS' investments are carried at fair value per the fair value policy described above.

Grants and Accounts Receivable

MHS' grants and accounts receivable consist of amounts due to MHS related to work performed under grant agreements. Grants and accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts based on its assessment of individual accounts. Accordingly, no allowance was considered necessary at December 31, 2016.

Pledges Receivable

MHS' unconditional pledges, less an allowance for uncollectible amounts, are recorded as receivables at fair value in the year made. Pledges made and received beyond one year are discounted to present value using a risk adjusted rate at the date of pledge 3.96% at December 31, 2016. At December 31, 2016, pledges receivable are presented net of an allowance for uncollectible amounts of \$21,648 and unamortized discount of \$46,707. For pledges made and received within one year, the net realizable value is a reasonable estimate of fair value. If restricted by the donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by donor for particular purposes or for capital acquisition, the amount is reported as public support of temporarily restricted net assets.

Inventories

MHS' inventories consist of Museum Shop items held for resale. Inventories are recorded at the lower of cost or market, determined by the retail method.

Endowment

MHS' endowment consists of 28 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported in MHS' financial statements based on the existence or absence of donor-imposed restrictions.

MHS' Board of Trustees has interpreted UPMIFA (Uniform Prudent Management of Institutional Funds Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

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Notes To Combined Financial Statements (*Continued*)

The fair value of the endowment funds was \$40,042,283 at December 31, 2016 and is included in investments at fair value in the Statement of Net Assets.

Capital Assets

Purchased property and equipment of the Subdistrict are accounted for as expenditures in the general fund. On the government-wide financial statements, property and equipment are capitalized at their historical cost. Donated property and equipment are recorded at estimated fair value at the date of donation unless fair value is not readily determinable, in which case the asset is recorded at nominal value to establish accountability. Within the government-wide 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.

MHS' property and equipment consist of leasehold improvements, buildings, furniture, fixtures, and equipment, construction in progress and land which is generally stated at cost. Amortization on leasehold improvements and buildings and depreciation on furniture, fixtures, and equipment is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. Total amortization and depreciation for MHS for 2016 was \$1,393,853.

Museum Collections

MHS' 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.

Contributions

MHS reports contributions, including unconditional pledges receivable due in future periods, as revenue in the period the pledge is received. It is the policy of the Museum to sell all contributed securities as soon as they are received.

Federal Income Taxes

The Subdistrict and MHs are exempt from federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, respectively. MHS follows the provisions of ASC 740-10-25 requiring disclosure of uncertain tax positions. There has been no interest or penalties recognized in the Statement of Activities nor in the Statement of Net Position/Net Assets related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. MHS evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

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Notes To Combined Financial Statements (*Continued*)

Use Of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Subdistrict and MHS 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, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Inflows Of Resources And Deferred Outflows Of Resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period.

2. Cash and Investments

Subdistrict

At December 31, 2016, both the carrying amount and bank balance of the Subdistrict's cash deposits was \$11,287. These amounts were entirely covered by federal depository insurance.

MHS

MHS 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 U.S. generally accepted accounting principles related to governmental entities. At December 31, 2016, MHS' investments are comprised of the following:

| | <u>Fair Value</u> |
|--------------------------------|-----------------------------|
| Money Market Funds | \$ 1,139,706 |
| U.S. Government Obligations | 905,413 |
| Corporate Bonds and Debentures | 7,978,963 |
| Corporate Stock | 14,322,174 |
| Mutual Funds - Equities | 18,109,297 |
| Mutual Funds - Fixed Income | 1,138,987 |
| Mutual Funds - Real Estate | 1,874,295 |
| Mutual Funds - Hedge Funds | 2,262,798 |
| | <u><u>\$ 47,731,633</u></u> |

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Notes To Combined Financial Statements (*Continued*)

3. Capital Assets

Subdistrict

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2016:

| | Balance January 1, 2016 | Additions | Retirements | Balance December 31, 2016 |
|---|-------------------------------|------------------|-------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 105,000 | \$ — | \$ — | \$ 105,000 |
| Capital assets being depreciated: | | | | |
| Building | 738,474 | — | — | 738,474 |
| Less accumulated depreciation for: | | | | |
| Building | 481,548 | 18,462 | — | 500,010 |
| Total capital assets being depreciated, net | 256,926 | 18,462 | — | 238,464 |
| Capital assets, net | \$ 361,926 | \$ 18,462 | \$ — | \$ 343,464 |

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

MHS

The following is a summary of capital assets for MHS at December 31, 2016:

| | |
|---|-----------------------------|
| Leasehold improvements and buildings | \$ 41,763,087 |
| Furniture, fixtures and equipment | 4,564,235 |
| Construction in progress | 72,897 |
| Land | 661,510 |
| | <u>47,061,729</u> |
| Less: Accumulated depreciation and amortization | <u>22,142,640</u> |
| | <u><u>\$ 24,919,089</u></u> |

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Notes To Combined Financial Statements (*Continued*)

4. Support From The Metropolitan Zoological Park And Museum District

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 3.99 cents per \$100 of assessed valuation for 2016. Taxes are levied each October and are due on December 31 for the previous January 1 assessment. Utilizing a continuous appropriation, the District provides support to the Subdistrict based upon an allocation of the property taxes levied by the District. The support from the District for the year ended December 31, 2016 is represented by the following sources:

| | Year Ended December 31, 2016 | |
|-------------------------------|---|-------------------------|
| | Governmental Activities | General Fund |
| Revenue from the District: | | |
| Support from the District | \$ 10,969,739 | \$ 10,861,416 |
| Change in accounts receivable | (12,972) | — |
| Interest earned | 18,094 | 18,094 |
| Excess ZMD assessments | 447,162 | 447,162 |
| Less: Management fees | (548,883) | (548,883) |
| | <u>\$ 10,873,140</u> | <u>\$ 10,777,789</u> |

The amount due from the District within the accompanying financial statements represents funds collected by and held by the District in an account on behalf of the Subdistrict. The support from the District receivable within the accompanying financial statements represents the estimated support provided from the District based upon property tax receipts, which were not collected at year end. This receivable is recorded net of an allowance for uncollectible accounts, which was \$301,816 at December 31, 2016.

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Notes To Combined Financial Statements (*Continued*)

5. Contract with Missouri Historical Society

The Subdistrict is part of the District. The Subdistrict was established to receive tax revenues from the tax collector's office and to pay for history museum services provided to benefit the public. The District tax generated revenue is subject to annual review and approval. In 1988, the Subdistrict and MHS entered into a contract, which after renegotiation in the fall of 2012, and amended on November 13, 2013, renewed on December 16, 2014 and amended on December 17, 2015, renews for one year each December 31, unless the Subdistrict, upon recommendation of its committee on renewal, votes not to renew the contract. Upon giving written notice of its intent not to renew the contract, the Subdistrict and MHS are required to meet for a period of six months to resolve their differences. If those differences are not resolved, the contract terminates at the end of the calendar year in which such final determination is made. The contract provides for history museum facilities and services to be provided to the public by MHS in exchange for compensation from the Subdistrict. The public support under this contract is determined each year based upon an annual budget.

The contract also requires Subdistrict approval for the purchase of any real estate, or an expenditure of an amount in excess of \$10,000, if not previously approved in the annual budget. MHS shall comply with the provisions of the Open Meeting Law, sections 610.010 et. al., as from time to time amended.

6. Employee Benefit Plans

MHS has a defined contribution plan for all employees with at least two years of service. The plan provides for MHS to contribute 5% of the participants' salaries with no employee contributions permitted. MHS also has a 403(b) salary reduction plan, which provides for MHS to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Plan expenses were \$337,566 for MHS for the year ended December 31, 2016.

7. Employee Deferred Compensation Plans

MHS maintains a voluntary 457(b) Plan for employees who wish to defer a portion of their salary to future years. The investment is presented in the financial statements as a non-current asset and liability. The value of this plan asset was \$381,421 at December 31, 2016.

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Notes To Combined Financial Statements (*Continued*)

8. Commitments

At December 31, 2016, MHS was committed for certain equipment under noncancelable operating and certain warehouse and temporary storage leases which expire at various dates through 2022. Additionally, MHS leases the Missouri History Museum and the Library and Research Center from the Subdistrict. The lease agreement for these facilities is coterminous with the term of the Agreement MHS has with the Subdistrict to provide history museum services. This agreement renews on December 31 each year. The annual lease payment is \$10 for each facility. The following is a schedule by years of future minimum rental payments required under these leases:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2017 | \$ 137,471 |
| 2018 | 44,603 |
| 2019 | 41,928 |
| 2020 | 40,928 |
| 2021 | 27,987 |
| 2022 | 1,339 |
| | <u>\$ 294,256</u> |

MHS entered into a construction contract for \$21,656,510 for renovation and construction at Soldiers Memorial, and MHS incurred cumulative renovation and construction costs on this contract of \$3,442,733 as of December 31, 2016. These costs are funded by donors who have agreed to fund the renovation and reconstruction of the Soldiers Memorial.

9. Risk Management

The Subdistrict is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Subdistrict maintains commercial insurance for certain of these risks of loss. Settled claims did not exceed commercial coverage in the past three years.

MHS' investments are exposed to various risks, such as interest rate, market and credit risks. Due to potential changes in economic conditions, it is at least reasonably possible that changes in the value of MHS' investments could occur in the near term and those changes could materially affect the amounts reported in MHS' financial statements.

MHS is involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. In the opinion of MHS' management, the resolution of these matters will not have a material adverse effect on MHS' financial statements.

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Notes To Combined Financial Statements (*Continued*)

10. Related Entities

MHS serves as the fiscal agent and leases employees to one nonprofit entity through a written agreement: the Association for Midwest Museums. In accordance with ASC 958-810-15, the accounts of this organization have not been included in MHS' financial statements.

11. Subsequent Events

In accordance with ASC 855, MHS has evaluated subsequent events through March 31, 2017, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

12. Tax Abatements

The Subdistrict recognizes tax revenue based on an allocation of property taxes levied and collected by the Zoo-Museum District. The Zoo-Museum District levies and collects property taxes on behalf of the Subdistricts based on the assessed valuation of property in the City of St. Louis, Missouri (the City) and St. Louis County, Missouri (the County). Both the City and the County have entered into property tax abatement agreements with local businesses under various state statutes. Under these state statutes, the City and the County may grant property tax abatements for the purpose of attracting or retaining businesses within their jurisdictions. The Subdistrict's allocated revenues were reduced under these agreements entered into by the City and the County. The City 2016 property tax allocated revenues were reduced by approximately \$98,000. Information regarding the County 2016 property tax allocated revenue reduction is unavailable.

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**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND- BUDGETARY BASIS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
For The Year Ended December 31, 2016**

| | Original And Final Appropriated Budget | Actual (Budget Basis) | Variance With Final Budget Positive (Negative) |
|---|---|--------------------------------------|---|
| Revenues | | | |
| Receipts from the Metropolitan Zoological Park | | | |
| Support from the Metropolitan Zoological Park and Museum District | \$ 10,539,000 | \$ 10,886,110 | \$ 347,110 |
| Rental income | 20 | 20 | — |
| Total Revenues | 10,539,020 | 10,886,130 | 347,110 |
| Expenditures | | | |
| Current: | | | |
| Payments to the Missouri Historical Society - History museum services | 10,480,662 | 10,480,662 | — |
| General government | 58,358 | 55,589 | 2,769 |
| Total Expenditures | 10,539,020 | 10,536,251 | 2,769 |
| Excess of revenues over expenditures | \$ — | \$ 349,879 | \$ 349,879 |

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT OF THE
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OF THE CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND BUDGETARY
BASIS REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
For The Year Ended December 31, 2016**

1. Explanation Of Budgetary Process

The Subdistrict adopts an annual budget based on the operating budget submitted to the Subdistrict by MHS 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. For the year ended December 31, 2016, appropriations exceeded expenditures by \$2,769 in the General Fund.

2. Explanation Of The Differences Between The Excess Of Revenues Over Expenditures - Budget Basis And Net Change In Fund Balance - GAAP Basis

The Subdistrict's budgetary process is based upon accounting for certain transactions on a basis other than GAAP. To provide meaningful comparison of actual results with the budget, the actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund in accordance with a budget basis of accounting.

The major differences between the budget and GAAP basis of accounting are:

1. Revenues are recorded when received in cash (budget), as opposed to when they are measurable and available (GAAP).
2. Expenditures are recorded when paid (budget), as opposed to when the obligation is incurred (GAAP).

Adjustments necessary to reconcile the excess of revenues over expenditures from the GAAP basis to the budget basis of accounting are as follows:

| | |
|-----------------------------|-------------------|
| Budget basis | \$ 349,879 |
| Increase (decrease) due to: | |
| Revenue accruals | 440,562 |
| Expenditures accruals | <u>(548,883)</u> |
| | <u>\$ 241,558</u> |