

**METROPOLITAN ZOOLOGICAL
PARK AND MUSEUM DISTRICT**

FINANCIAL STATEMENTS

December 31, 2014 and 2013

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED	6
BASIC FINANCIAL STATEMENTS	
Statements of Net Position – Proprietary Fund	11
Statements of Revenues, Expenses and Changes In Net Position – Proprietary Fund	12
Statements of Cash Flows – Proprietary Fund	13
Statements of Fiduciary Net Position – Pension Trust Fund	14
Statements of Changes in Fiduciary Net Position – Pension Trust Fund	15
Notes to Financial Statements	16
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	23

Independent Auditors' Report

Board of Directors
Metropolitan Zoological Park and Museum District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Metropolitan Zoological Park and Museum District (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District's primary government, 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 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 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.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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 \$773,289,385, \$59,307,973, \$713,981,412, \$202,715,057, and \$187,378,215 for 2014 and \$782,693,338, \$84,048,768, \$698,644,570, \$186,383,648, and \$147,558,449 for 2013, respectively.

Adverse Opinion

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, the financial position of the aggregate discretely presented component units of the Metropolitan Zoological Park and Museum District as of December 31, 2014 and 2013, or the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Metropolitan Zoological Park and Museum District, as of December 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 on page 6 through 10 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated TBD 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* in considering Metropolitan Zoological Park and Museum District's internal control over financial reporting and compliance.

St. Louis, Missouri
TBD

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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, 2014 and 2013. 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 revenues increased from \$74.0 million in 2012 to \$74.2 million in 2013 to \$74.5 million in 2014. The District's 2013 revenues exceeded its 2012 revenues by 0.3%; the 2014 tax revenues were 0.3% greater than those of the preceding year. No increase in the adjusted valuation of existing property located within the District was recognized in 2012, 2013 or 2014.
- The District Board's 2012, 2013 and 2014 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 were available for the District's administration. The District's 2014 total operating expenses represented approximately 0.69% of the year's net tax revenues.
- The 2013 District operating expenses equaled approximately 0.74% of the year's net tax revenue. During 2014, the Board authorized the distribution of the District's 2013 unused administrative fees to the Subdistricts. The unused administrative fees totaled \$2,951,982 and were apportioned in the following manner:

<u>Subdistrict</u>	<u>Amount of Distribution</u>
Zoological Park Subdistrict	\$ 845,109.64
Art Museum Subdistrict	845,109.64
Science Center Subdistrict	420,587.47
Botanical Garden Subdistrict	420,587.47
History Museum Subdistrict	420,587.78
Total Distribution	<u><u>\$ 2,951,982.00</u></u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

- The following table summarizes the 2014 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>2014 Tax Rate per \$100 of assessed valuation</u>	<u>Maximum Authorized Levy</u>
Zoological Park Subdistrict	8.00 cents	8 cents
Art Museum Subdistrict	8.00 cents	8 cents
Science Center Subdistrict	3.99 cents	4 cents
Botanical Garden Subdistrict	3.99 cents	4 cents
History Museum Subdistrict	3.99 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 proprietary fund financial statements presented by the District's management include Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position 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 position. The Statements of Revenues, Expenses, and Changes in Net Position 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.

The fiduciary fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position which report the activities of the Pension Trust Fund. The Trust Fund accounts for assets held in a trustee capacity for employee retirement benefits.

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.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Table 1
Condensed Statements of Net Position
December 31,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 69,317,103	\$ 67,704,833	\$ 69,529,155
Capital assets	<u>4,585</u>	<u>7,217</u>	<u>1,763</u>
Total assets	<u>\$ 69,321,688</u>	<u>\$ 67,712,050</u>	<u>\$ 69,530,918</u>
Current liabilities	\$ 63,815,140	\$ 62,480,482	\$ 64,343,836
Net position			
Net investment in capital assets	4,585	7,217	1,763
Unrestricted	<u>5,501,963</u>	<u>5,224,351</u>	<u>5,185,319</u>
Total net position	<u>5,506,548</u>	<u>5,231,568</u>	<u>5,187,082</u>
Total liabilities and net position	<u>\$ 69,321,688</u>	<u>\$ 67,712,050</u>	<u>\$ 69,530,918</u>

The District's current assets are 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 2012, 2013, and 2014.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 74,462,085	\$ 74,212,762	\$ 74,027,412
Operating expenses	<u>74,237,337</u>	<u>74,222,468</u>	<u>73,996,372</u>
Operating income (loss)	224,748	(9,706)	31,040
Nonoperating revenue	<u>50,232</u>	<u>54,192</u>	<u>57,823</u>
CHANGE IN NET POSITION	274,980	44,486	88,863
Net position at beginning of year	<u>5,231,568</u>	<u>5,187,082</u>	<u>5,098,219</u>
Net position at end of year	<u><u>\$ 5,506,548</u></u>	<u><u>\$ 5,231,568</u></u>	<u><u>\$ 5,187,082</u></u>

The District's 2014 operating revenues exceeded those of 2013 by 0.3%; the 2013 operating revenues exceeded the 2012 operating revenues by 0.3%. No overall increase in the net assessment of property located within the District was recognized in 2012, 2013 or 2014.

The District's 2013 operating expenses were nearly \$226,000 greater than those recognized in 2012 due to the growth in Subdistrict support of approximately \$228,000. 2014 operating expenses exceeded those incurred in the prior year by nearly \$15,000 due to growth in Subdistrict support of \$50,000.

The District retains a percentage of the total tax revenue for administrative expenses. It has been the District's policy to distribute all retained amounts not used for administrative expenses in a subsequent year. Because of this timing difference between the recognition of revenue and subsequent distribution of retained amounts not used for administrative purposes, the District generally realizes a small amount of operating income or loss each calendar year.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities	\$ 4,412,862	\$ (6,631,625)	\$ (2,610,369)
Cash flows from capital and related financing activities	(913)	(8,331)	(813)
Cash flows from investing activities	<u>50,232</u>	<u>54,192</u>	<u>57,823</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,462,181	(6,585,764)	(2,553,359)
Cash and cash equivalents at beginning of year	<u>22,000,946</u>	<u>28,586,710</u>	<u>31,140,069</u>
Cash and cash equivalents at end of year	<u>\$ 26,463,127</u>	<u>\$ 22,000,946</u>	<u>\$ 28,586,710</u>

The District's cash flows from operations decreased by \$4.0 million from 2012 to 2013. During calendar year 2013, the District experienced decreased tax collections of nearly \$4.3 million; however, during the same period, the level of support to the Subdistricts increased by nearly \$0.3 million. When the District's 2014 cash flow from operations is compared to that of 2013, an increase of \$11.0 million is recognized. During calendar year 2014, the District experienced increased tax collections of nearly \$7.8 million; however, during the same period, the level of support to the Subdistricts decreased by nearly \$3.2 million.

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 POSITION - PROPRIETARY FUND

December 31,

	Enterprise Fund	
	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,460,270	\$ 3,045,297
Restricted cash and cash equivalents	23,002,857	18,955,649
Accounts receivable		
Assessed property tax and license fees, net of allowance for uncollectibles of \$2,859,549 in 2014 and \$3,069,644 in 2013	42,853,976	45,703,887
Total current assets	69,317,103	67,704,833
Noncurrent assets		
Capital assets, net of accumulated depreciation		
Office furniture and equipment	4,381	6,743
Telephone equipment	204	474
Total noncurrent assets	4,585	7,217
Total assets	<u>\$ 69,321,688</u>	<u>\$ 67,712,050</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 95,312	\$ 100,179
Taxes payable to Subdistricts	63,719,828	62,380,303
Total current liabilities	63,815,140	62,480,482
NET POSITION		
Net investment in capital assets	4,585	7,217
Unrestricted	5,501,963	5,224,351
Total net position	5,506,548	5,231,568
Total liabilities and net position	<u>\$ 69,321,688</u>	<u>\$ 67,712,050</u>

See notes to financial statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

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

Year ended December 31,

	Enterprise Fund	
	2014	2013
Operating revenues		
Real and personal property tax	\$ 69,152,098	\$ 68,914,711
Merchants' and manufacturers' license	1,392,105	1,268,155
Surtax on commercial real estate	3,847,303	3,809,780
Financial institution tax	463,942	262,708
Provision for uncollectible taxes	(393,363)	(42,592)
Total operating revenues	74,462,085	74,212,762
Operating expenses		
Subdistrict support	73,723,019	73,672,576
Salaries and personnel costs	297,225	288,905
Office occupancy	55,695	52,321
Legal fees	70,980	117,494
Other professional fees	49,993	59,685
Insurance	19,332	13,709
Maintenance and service contracts	780	1,226
Information technology	2,125	1,254
Office supplies and postage	3,963	4,208
Telephone	2,743	2,769
Subscriptions	1,548	1,240
Miscellaneous	6,389	4,204
Depreciation and amortization	3,545	2,877
Total operating expenses	74,237,337	74,222,468
Operating income (loss)	224,748	(9,706)
Nonoperating revenue		
Investment income	50,232	54,192
CHANGE IN NET POSITION	274,980	44,486
Net position at beginning of year	5,231,568	5,187,082
Net position at end of year	\$ 5,506,548	\$ 5,231,568

See notes to financial statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

Year ended December 31,

	Enterprise Fund	
	2014	2013
Cash flows from operating activities		
Receipts from St. Louis City and County taxpayers	\$ 77,311,996	\$ 69,451,320
Payments to and for the benefit of employees	(297,079)	(281,065)
Payments to suppliers, vendors and Subdistricts	(72,602,055)	(75,801,880)
Net cash provided by (used in) operating activities	4,412,862	(6,631,625)
Cash flows from capital and related financing activities		
Purchase of capital assets	(913)	(8,331)
Cash flows from investing activities		
Investment income	50,232	54,192
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,462,181	(6,585,764)
Cash and cash equivalents at beginning of year	22,000,946	28,586,710
Cash and cash equivalents at end of year	\$ 26,463,127	\$ 22,000,946
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ 224,748	\$ (9,706)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	3,545	2,877
Changes in assets and liabilities		
Accounts receivable, net	2,849,911	(4,761,442)
Accounts payable	(4,867)	8,711
Taxes payable to Subdistricts	1,339,525	(1,872,065)
Net cash provided by (used in) operating activities	\$ 4,412,862	\$ (6,631,625)
Reconciliation of cash and cash equivalents to statements of net position		
Cash and cash equivalents, unrestricted	\$ 3,460,270	\$ 3,045,297
Cash and cash equivalents, restricted	23,002,857	18,955,649
Total cash and cash equivalents	\$ 26,463,127	\$ 22,000,946

See notes to financial statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION - PENSION TRUST FUND

December 31,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and investments held by trustee	\$ 16,901	\$ -
Employer contributions receivable	<u>17,921</u>	<u>17,429</u>
Total assets	<u>\$ 34,822</u>	<u>\$ 17,429</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 34,822</u>	<u>\$ 17,429</u>

See notes to financial statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND

Year ended December 31,

	<u>2014</u>	<u>2013</u>
ADDITIONS		
Investment income		
Interest and dividends	\$ 197	\$ -
Net depreciation in fair value of investments	<u>(680)</u>	<u>-</u>
Total investment income	(483)	-
Less investment expense	<u>45</u>	<u>-</u>
Net investment income	(528)	-
Employer contributions	<u>17,921</u>	<u>17,429</u>
CHANGE IN NET POSITION	17,393	17,429
Net position - restricted for pension benefits at beginning of year	<u>17,429</u>	<u>-</u>
Net position - restricted for pension benefits at end of year	<u>\$ 34,822</u>	<u>\$ 17,429</u>

See notes to financial statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – 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 2014 tax resolutions allowed the District to retain the statutory percentage (5%) from its current and future collections of 2008 through 2014 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). The more significant accounting policies, established in GAAP and used by the District, are discussed below.

Reporting Entity

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

As defined by generally accepted accounting principles, 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 and financial burden on the District.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 mzdstl.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	

Basis of Presentation

All activities of the District are considered business-type activities and are reported in the following proprietary fund:

Enterprise Fund

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.

In addition, the District reports the following fiduciary fund:

The District uses a **Pension Trust Fund** to account for assets held in a trustee capacity for employee retirement benefits.

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.

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 position, financial position, and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on or about November 1 and are 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 at least once each month.

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. 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.

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.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Equity Classifications

Equity is classified as net position and displayed in three components. Net investment in capital assets 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 capital assets. Net position is 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. Net position that does not meet the definition of restricted or net investment in capital assets 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.

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 current and prior year tax assessments which were not collected by year-end.

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 2 – CASH

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2014 and 2013 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

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	101,737	913	-	102,650
Telephone equipment	4,477	-	-	4,477
Totals at historical cost	151,572	913	-	152,485
Less accumulated depreciation				
Leasehold improvements	(45,358)	-	-	(45,358)
Office furniture and equipment	(94,994)	(3,275)	-	(98,269)
Telephone equipment	(4,003)	(270)	-	(4,273)
Total accumulated depreciation	(144,355)	(3,545)	-	(147,900)
Capital assets, net	<u>\$ 7,217</u>	<u>\$ (2,632)</u>	<u>\$ -</u>	<u>\$ 4,585</u>

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance at January 1, 2013	Additions	Disposals	Balance at December 31, 2013
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	103,973	8,331	(10,567)	101,737
Telephone equipment	4,477	-	-	4,477
Totals at historical cost	153,808	8,331	(10,567)	151,572
Less accumulated depreciation				
Leasehold improvements	(45,358)	-	-	(45,358)
Office furniture and equipment	(103,973)	(1,588)	10,567	(94,994)
Telephone equipment	(2,714)	(1,289)	-	(4,003)
Total accumulated depreciation	(152,045)	(2,877)	10,567	(144,355)
Capital assets, net	<u>\$ 1,763</u>	<u>\$ 5,454</u>	<u>\$ -</u>	<u>\$ 7,217</u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – LEASE COMMITMENTS

The District leases its office facilities under an operating lease that expires on July 31, 2017. Total rent expense for the years ended December 31, 2014 and 2013 was \$55,695 and \$52,321, respectively.

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

Year ended December 31,	
2015	\$ 49,874
2016	50,826
2017	<u>29,972</u>
	<u>\$ 130,672</u>

NOTE 5 – 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.

Prior to January 1, 2013, all full-time employees participated 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 provided 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. This plan was curtailed on December 31, 2012.

Beginning on January 1, 2013, all District employees are eligible to participate in the District's Profit Sharing Plan and Money Purchase Pension Plan administered by the District. The plan requires contributions by the District equaling 7% of each qualifying participant's compensation for each plan year.

The District's required contributions for the years ended December 31, 2014 and 2013 were \$21,506 and \$22,787, respectively.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – 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.

NOTE 7 – 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; officers' liability; 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.

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Board of Directors
Metropolitan Zoological Park and Museum District

We have audited, in accordance with the 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, the financial statements of business-type activities and aggregate remaining fund information of the Metropolitan Zoological Park and Museum District (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated TBD. Our report on the financial statements disclosed that the financial statements include only the financial activities of the primary government and that the financial activities of the District's legally separate component units that form the reporting entity are not included.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

St. Louis, Missouri

TBD