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Financial Report, 2006

Metropolitan Zoological Park and Museum District

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SUSAN MONTEE, CPA
Missouri State Auditor

June 15, 2007

J. Patrick Dougherty, CPA, Executive Director
Metropolitan Zoological Park and Museum District
7733 Forsyth Boulevard, Suite 550
Clayton, MO 63105

Fiscal Period: One Year Ended December 31, 2006 ✓

Dear Mr. Dougherty:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

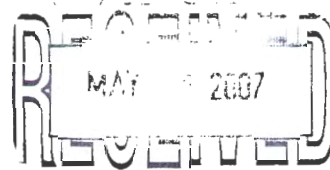
Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst



May 22, 2007

Adrienne Morgan
Chair

Frankie M. Freeman
Vice Chair

Donna G. Knight
Treasurer

Kenneth J. Rothman
Secretary

Robert A. Powell
Assistant Secretary

David S. Weber
Board Member

Joyce L. Margulis
Board Member

Kay Marshall
Immediate Past Chair

J. Patrick Dougherty
Executive Director

Susan Montee, CPA
Missouri State Auditor
P. O. Box 869
Jefferson City, Missouri 65102

Dear Ms. Montee:

In accordance with Section 105.145, RSMO and 15 CSR 40-3.030, enclosed are copies of audited financial statements, for the year ended December 31, 2006, for the following entities:

The Metropolitan Zoological Park and Museum District,
The Zoological Park Subdistrict,
The Art Museum Subdistrict,
The Saint Louis Science Subdistrict,
The Botanical Garden Subdistrict,
The Missouri Botanical Garden,
The History Museum Subdistrict and
The Missouri Historical Society.

The only entity that received a management for calendar year 2006 was the Zoological Park Subdistrict. A copy of that management report is enclosed.

Please contact me directly if you have any questions regarding the enclosed material or require any additional information.

Sincerely,

J. Patrick Dougherty, CPA
Executive Director

Enclosures.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

7733 forsyth boulevard suite 550 | clayton missouri 63105 | phone 314.862.4222 | fax 314.862.4427

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**METROPOLITAN ZOOLOGICAL
PARK AND MUSEUM DISTRICT**

December 31, 2006 and 2005

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

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CPAs and
Management Consultants

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

Independent Auditors' Report

Board of Directors
Metropolitan Zoological Park and Museum District

We have audited the accompanying primary government financial statements of Metropolitan Zoological Park and Museum District (the District) as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Metropolitan Zoological Park and Museum District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Metropolitan Zoological Park and Museum District, as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Metropolitan Zoological Park and Museum District, as of December 31, 2006 and 2005, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The District has restated its 2005 financial statements as disclosed in Note H to the financial statements.

The management's discussion and analysis on pages 5 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Kerber Eck & Brueckel LLP

St. Louis, Missouri
March 31, 2006

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2006 and 2005

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, 2006, 2005 and 2004. The management's discussion and analysis should not be taken as a replacement for the financial statements but should be read in conjunction with them to enhance understanding of the District's financial performance.

Financial Highlights

- The District's tax revenue increased from \$62.21 million in 2004 to \$67.27 million in 2005 to \$67.75 in 2006. The 2005 revenue is approximately 8.1% higher than that of 2004; the 2006 revenue resulted in only a 0.71% increase over the District's 2005 revenue. In 2005, the District utilized a tax recoupment provision that allowed for an increase in that year's tax rates. 2005 also saw an increase in the District's assessed valuations due to a District-wide reassessment. The increased tax rate coupled with reassessed property values resulted in a material increase in 2005's revenue, compared to that of 2004. Since the recoupment tax was not available to the District in 2006 and the District was not subject to a reassessment during that year, its 2006 revenue showed only minimal growth over 2005.
- The District's Board has limited the organization's operating costs to 2% of the tax revenue collected in 2006. In 2006, the costs of operating the District's central office approximated 0.66% of that year's tax revenue collections (\$66,765,774).
- The District's distributions to the Subdistricts continue to provide a material impact on the operations of each related cultural institution. The 2006 Subdistrict distributions provide from 25% to more than 50% of the funds required to operate the five specific entities.

Required Financial Statements

The financial statements presented by the management of the District include Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets and Statements of Cash Flows. These statements are prepared using the accrual basis of accounting. This method of accounting recognizes revenues at the time they are earned and expenses when the related liability is incurred.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2006 and 2005

The Statements of Net Assets summarize the financial position of the District as of December 31. These statements are a snapshot of the District's current and capital assets, and current liabilities. These statements also show any restriction on the District's net assets. The Statements of Revenues, Expenses, and Changes in Net Assets summarize calendar year revenues and expenses. The Statements of Cash Flows account for the net change in cash and cash equivalents resulting from operating activities, capital and related financing activities and investing activities. These statements assist the user in determining the sources of cash coming into the District, the items for which cash was expended, and reconciles the beginning and ending cash balances.

Table 1
Condensed Statements of Net Assets
December 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 54,415,286	\$ 54,593,050	\$ 50,452,241
Capital assets	<u>58,844</u>	<u>66,829</u>	<u>81,504</u>
Total assets	<u>\$ 54,474,130</u>	<u>\$ 54,659,879</u>	<u>\$ 50,533,745</u>
Current liabilities	\$ 52,689,644	\$ 53,157,944	\$ 49,163,286
Net assets			
Invested in capital assets, net of related debt	58,844	66,829	81,504
Unrestricted	<u>1,725,642</u>	<u>1,435,106</u>	<u>1,288,955</u>
Total net assets	<u>1,784,486</u>	<u>1,501,935</u>	<u>1,370,459</u>
Total liabilities and net assets	<u>\$ 54,474,130</u>	<u>\$ 54,659,879</u>	<u>\$ 50,533,745</u>

The District's current assets are primarily composed of cash and cash equivalents and taxes receivable from St. Louis City and County residents. The current liabilities of the District reflect amounts due to suppliers and vendors and the five Subdistricts. Liabilities for Subdistrict funds held on deposit with the District and future tax collections payable to the Subdistricts are the major elements of the District's liabilities. Accounts payable from District administrative operations account for a minimal portion of the District's liabilities in 2004, 2005 and 2006.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2006 and 2005

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 67,748,063	\$ 67,272,071	\$ 62,212,837
Operating expenses	<u>68,105,529</u>	<u>67,552,960</u>	<u>62,119,296</u>
Operating income (loss)	(357,466)	(280,889)	93,541
Nonoperating revenue	<u>640,017</u>	<u>412,365</u>	<u>168,799</u>
CHANGE IN NET ASSETS	282,551	131,476	262,340
Net assets at beginning of year	<u>1,501,935</u>	<u>1,370,459</u>	<u>1,108,119</u>
Net assets at end of year	<u><u>\$ 1,784,486</u></u>	<u><u>\$ 1,501,935</u></u>	<u><u>\$ 1,370,459</u></u>

The District's operating revenues have remained fairly stable in 2006. Operating revenue in 2005 increased by approximately 8.1% over that of 2004. The source of this revenue increase was two-fold: the use of a 2005 tax rate that included a recoupment component and increased property assessments due to that year's District-wide reassessment. Nonoperating revenue increased during the three-year period due to improved investment rates of return.

The District also experienced an increase in 2005 operating expenses over those of 2004. The distribution of the additional operating revenue to the Subdistricts is the prime source of the increase. Important elements of the increase in operating expenses from 2005 to 2006 are additional professional fees and technology expenditures. These expenses represent the District's commitment to improved operation and administration.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2006 and 2005

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash flows from operating activities	\$ (1,229,211)	\$ 6,199,903	\$ 1,437,022
Cash flows from capital and related financing activities	(9,415)	(14,946)	(26,045)
Cash flows from investing activities	<u>640,622</u>	<u>412,671</u>	<u>170,521</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(598,004)	6,597,628	1,581,498
Cash and cash equivalents at beginning of year	<u>20,639,093</u>	<u>14,041,465</u>	<u>12,459,967</u>
Cash and cash equivalents at end of year	<u><u>\$ 20,041,089</u></u>	<u><u>\$ 20,639,093</u></u>	<u><u>\$ 14,041,465</u></u>

The District's 2005 cash flows from operating activities increased by \$4.76 million or 331% from the prior year, due to an increase in receipts from St. Louis City and County taxpayers. The 2005 reassessment throughout the District and the inclusion of a recoupment component within that year's District tax rates resulted in the cash flow increase. The 2006 operating activities cash flow decreased by approximately \$7.43 million. 2006 saw a decline in cash receipts of \$2.67 million, due to timing, coupled with an increase in payments to vendors, suppliers and Subdistricts that amounted to \$4.76 million.

Cash flows from investing activities resulted in increases throughout the three-year period. Improving interest rates resulted in increased interest revenue throughout the period. Interest revenue is the prime component of cash flows from investing activities.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Year ended December 31, 2006 and 2005

Contacting the Metropolitan Zoological Park and Museum District's Management

Questions regarding any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Metropolitan Zoological Park and Museum District, 7733 Forsyth Boulevard, Suite 550, St. Louis, Missouri 63105.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF NET ASSETS - PROPRIETARY FUND

December 31,

	Enterprise Fund	
	2006	2005 (restated)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,084,882	\$ 776,786
Restricted cash and cash equivalents	18,956,207	19,862,307
Accounts receivable		
Assessed property and license fees, net of allowance for uncollectibles of \$2,771,800 in 2006 and \$2,461,167 in 2005	34,369,666	33,953,957
Miscellaneous accounts receivable	519	-
Prepaid expenses	4,012	-
Total current assets	54,415,286	54,593,050
Noncurrent assets		
Capital assets, net of accumulated depreciation		
Leasehold improvements	17,008	21,544
Office furniture and equipment	40,670	43,808
Telephone equipment	1,166	1,477
Total noncurrent assets	58,844	66,829
Total assets	\$ 54,474,130	\$ 54,659,879
LIABILITIES		
Current liabilities		
Accounts payable	\$ 50,273	\$ 20,759
Taxes payable to Subdistricts	52,639,371	53,137,185
Total current liabilities	52,689,644	53,157,944
NET ASSETS		
Invested in capital assets, net of related debt	58,844	66,829
Unrestricted	1,725,642	1,435,106
Total net assets	1,784,486	1,501,935
Total liabilities and net assets	\$ 54,474,130	\$ 54,659,879

The accompanying notes are an integral part of these statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND Year ended December 31,

	Enterprise Fund	
	2006	2005 (restated)
Operating revenues		
Real and personal property tax	\$ 62,346,004	\$ 61,812,366
Merchants' and manufacturers' license	1,928,000	1,939,992
Surtax on commercial real estate	3,358,583	3,369,431
Financial institution tax	115,476	150,282
Total operating revenues	67,748,063	67,272,071
Operating expenses		
Subdistrict support	67,098,315	66,965,515
Salaries and personnel costs	143,624	157,272
Provision for uncollectible taxes	566,580	291,994
Office occupancy	53,235	52,862
Legal fees	77,409	25,810
Other professional fees	115,914	17,731
Insurance	12,813	9,731
Maintenance and service contracts	686	5,933
Computer	4,199	257
Office supplies and postage	3,729	1,953
Telephone	2,701	2,920
Subscriptions	1,279	1,342
Miscellaneous	8,250	3,054
Depreciation and amortization	16,795	16,586
Total operating expenses	68,105,529	67,552,960
Operating loss	(357,466)	(280,889)
Nonoperating revenue (expense)		
Investment income	640,622	412,671
Loss on abandoned asset	(605)	-
Interest expense	-	(306)
Net nonoperating revenue	640,017	412,365
CHANGE IN NET ASSETS	282,551	131,476
Net assets at beginning of year	1,501,935	1,370,459
Net assets at end of year	\$ 1,784,486	\$ 1,501,935

The accompanying notes are an integral part of these statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

Year ended December 31,

	Enterprise Fund	
	2006	2005 (restated)
Cash flows from operating activities		
Receipts from St. Louis City and County taxpayers	\$ 66,765,774	\$ 69,436,557
Payments to and for the benefit of employees	(153,200)	(160,054)
Payments to suppliers, vendors and Subdistricts	(67,841,785)	(63,076,600)
Net cash provided by (used in) operating activities	(1,229,211)	6,199,903
Cash flows from capital and related financing activities		
Purchase of capital assets	(9,415)	(1,911)
Principal paid on capital lease obligation	-	(12,729)
Interest paid	-	(306)
Net cash used in capital and related financing activities	(9,415)	(14,946)
Cash flows from investing activities		
Investment income	640,622	412,671
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (598,004)	 6,597,628
Cash and cash equivalents at beginning of year	20,639,093	14,041,465
Cash and cash equivalents at end of year	<u>\$ 20,041,089</u>	<u>\$ 20,639,093</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (357,466)	\$ (280,889)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	16,795	16,586
Changes in assets and liabilities		
Receivables, net	(416,228)	2,456,480
Prepaid expense	(4,012)	339
Accounts payable	29,514	(183)
Taxes payable to Subdistricts	(497,814)	4,007,570
Net cash provided by (used in) operating activities	\$ (1,229,211)	\$ 6,199,903
Reconciliation of cash and cash equivalents to statements of net assets		
Cash and cash equivalents, unrestricted	\$ 1,084,882	\$ 776,786
Cash and cash equivalents, restricted	18,956,207	19,862,307
Total cash and cash equivalents	\$ 20,041,089	\$ 20,639,093

The accompanying notes are an integral part of these statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Zoological Park and Museum District (the District) was established by Missouri Statute on January 1, 1972. At its inception, the District included three Subdistricts: the Zoological Park Subdistrict, the Art Museum Subdistrict and the Science Center (Museum of Science & Natural History) Subdistrict. The voters of St. Louis City and County allowed the Botanical Garden to become the group's fourth Subdistrict in 1983; the Missouri History Museum entered the District in 1988.

The statute provides that all tax monies, including real and personal property tax, financial institution tax, merchants' and manufacturers' licenses, commercial real estate surtax and railroad and utility taxes, received for a Subdistrict shall be segregated from all other funds. The Subdistrict's officers may draw upon these funds when properly authorized vouchers are submitted.

The statute further provides that the District's administrative expenses may not exceed five percent of its total tax revenue; however, the District Board of Directors (the Board) limited 2006 and 2005 operating expenses to two percent.

The Board consists of eight members, each appointed for a four-year term. The Mayor of the City of St. Louis appoints four Board members and the St. Louis County Executive also appoints four Board members.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its enterprise fund, the District has chosen not to do so. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

1. Reporting Entity

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

As defined by GASB No. 14, as amended by GASB No. 39, component units are legally separate entities that should be included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Although legally separate, each Subdistrict is a component unit due to its fiscal dependence on the District.

The District has elected to exclude all component units from these financial statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Reporting Entity – Continued

Complete financial statements for each of the District's component units (Subdistricts) can be obtained by contacting each entity's administrator at the following addresses:

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

2. Basis of Presentation

The accounts of the District are organized and operated on a basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and managerial requirements.

The District uses an Enterprise Fund to account for its activities including the collection of tax monies received from the City of St. Louis (City) and from St. Louis County (County), the payment of expenses for operating the District and the maintenance of assets held by the District for the benefit of the Subdistricts.

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The financial statements are prepared using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets, financial position, and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

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

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Cash and Cash Equivalents

The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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

5. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and payable by December 31. All unpaid taxes become delinquent on January 1 of the following year. Taxes are collected by the City and County and remitted to the District on a monthly basis.

Because some taxes ultimately may not be collected, an allowance for uncollectible taxes is recorded. Increases in the allowance are recorded by a provision for uncollectible taxes charged to expense. Estimating the amount of uncollectible taxes is subjective. Accordingly, the allowance is maintained by the District at a level considered adequate to cover uncollectible taxes currently anticipated, based on past experience and other general, economic and political factors.

6. Capital Assets and Depreciation

The District's capital assets include leasehold improvements, furniture and equipment. Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives range from two to ten years for equipment and furniture. Leasehold improvements are amortized on a straight-line basis over the ten year estimated useful life of the improvement.

7. Equity Classifications

Equity is classified as net assets and displayed in three components. Net assets invested in capital assets, net of related debt, consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those net assets. Net assets are reported as restricted when there are constraints imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt, are reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Taxes Payable to Subdistricts

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

9. Use of Estimates

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

NOTE B – CASH AND INVESTMENTS

Deposits

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2006, the carrying amount of the deposits under District control was \$162,694 and the bank balance was \$173,893. Of the bank balance, \$100,000 was covered by federal depository insurance and \$62,694 was covered by collateral held by the District's agent in the District's name.

Investments

The District may purchase any investments allowed by the Missouri State Treasurer. These include (1) obligations of the United States Government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. Government agencies or instrumentalities of any maturity, as provided by law. The District has no investment policy that would further limit its investment choices.

At December 31, 2006, the District's investments consist solely of overnight repurchase agreements totaling \$19,878,395. Repurchase agreements are entered into on a daily basis to earn interest income on excess funds. The carrying value of the District's investments approximates their fair market value. The securities underlying the repurchase agreement consist of various Federal Home Loan Mortgage Corporation and Federal Home Loan Bank issues held by the District's agent in the District's name. Moody's Investor Services and Standard and Poor's have rated all such securities P-1 and A-1+, respectively.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance at January 1, 2006	Additions	Disposals	Balance at December 31, 2006
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	91,091	9,917	(5,874)	95,134
Telephone equipment	3,110	-	-	3,110
Totals at historical cost	<u>139,559</u>	<u>9,917</u>	<u>(5,874)</u>	<u>143,602</u>
Less accumulated depreciation				
Leasehold improvements	(23,814)	(4,536)	-	(28,350)
Office furniture and equipment	(47,283)	(11,948)	4,767	(54,464)
Telephone equipment	(1,633)	(311)	-	(1,944)
Total accumulated depreciation	<u>(72,730)</u>	<u>(16,795)</u>	<u>4,767</u>	<u>(84,758)</u>
Capital assets, net	<u><u>\$ 66,829</u></u>	<u><u>\$ (6,878)</u></u>	<u><u>\$ (1,107)</u></u>	<u><u>\$ 58,844</u></u>

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance at January 1, 2005	Additions	Disposals	Balance at December 31, 2005
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	89,181	1,910	-	91,091
Telephone equipment	3,110	-	-	3,110
Totals at historical cost	<u>137,649</u>	<u>1,910</u>	<u>-</u>	<u>139,559</u>
Less accumulated depreciation				
Leasehold improvements	(19,278)	(4,536)	-	(23,814)
Office furniture and equipment	(35,544)	(11,739)	-	(47,283)
Telephone equipment	(1,322)	(311)	-	(1,633)
Total accumulated depreciation	<u>(56,144)</u>	<u>(16,586)</u>	<u>-</u>	<u>(72,730)</u>
Capital assets, net	<u><u>\$ 81,505</u></u>	<u><u>\$ (14,676)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 66,829</u></u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE D – LEASE COMMITMENTS

The District leases its office facilities under an operating lease that expires on July 30, 2010. Total rent expense for the years ended December 31, 2006 and 2005 was \$53,235 and \$52,862, respectively.

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

Year ended December 31,	
2007	\$ 49,954
2008	53,284
2009	53,284
2010	<u>31,082</u>
Total minimum lease payments required	<u>\$ 187,604</u>

NOTE E – RETIREMENT PLANS

All District employees may participate in a 457(b) Deferred Compensation Plan. Only the employee contributes to the plan and the contributions are made through payroll deductions. After one year of employment, all full-time employees participate in a single-employer defined benefit pension plan administered by the St. Louis Science Center Subdistrict (the Subdistrict) of the Metropolitan Zoological Park and Museum District. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The contribution requirements of plan members are established by the Subdistrict and may be amended by the Subdistrict. The District's required contributions for the years ended December 31, 2006 and 2005 were not significant.

NOTE F – PROTESTED TAXES

Each year the City and County remit certain unresolved protested tax payments to the District. When the City or County refunds tax payments to those who are successful in their protests, it withholds the refunded amount from future distributions to taxing districts. The District believes that any future withholdings by the City or the County will not be material in relation to the District's financial position and results of operations. It was not possible to accurately determine the amount of District taxes paid under protest and held in escrow by the City and the County of St. Louis at December 31, 2006 and 2005.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE G – RISK MANAGEMENT

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

NOTE H – RESTATEMENT

In prior years, taxes collected and held by the District on behalf of the Subdistricts were reported in a Fiduciary – Private Purpose Trust Fund. As stated in Note A.1., the Subdistricts are component units that should be included in the District's reporting entity. Under accounting standards generally accepted in the United States of America, Fiduciary funds should not be used to report assets that can be used for programs of the reporting entity. Accordingly, during 2006, management determined that such assets should be reported as restricted cash in the District's Enterprise fund.

Also, the District's expenditure recognition for support to the Subdistricts was based upon the timing of the Subdistricts submission of vouchers. Under GASB No. 33, as amended by GASB No. 36, support to the Subdistricts represents a continuous appropriation, and accordingly, expenditure recognition is based on an allocation (ninety-eight percent) of the taxes levied by the District.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

NOTE H – RESTATEMENT - Continued

The financial statement line items as of December 31, 2005 and for the year then ended have been affected by the restatement as follows:

Statement of Net Assets – Proprietary Fund

	Enterprise Fund		
	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Current assets	\$ 34,730,743	\$ 54,593,050	\$ (19,862,307)
Capital assets	66,829	66,829	-
Total assets	<u>\$ 34,797,572</u>	<u>\$ 54,659,879</u>	<u>\$ (19,862,307)</u>
Current liabilities	\$ 20,759	\$ 53,157,944	\$ (53,137,185)
Net assets			
Invested in capital assets, net of related debt	66,829	66,829	-
Restricted for the benefit of Subdistricts	33,628,667	-	33,628,667
Unrestricted	1,081,317	1,435,106	(353,789)
Total net assets	<u>34,776,813</u>	<u>1,501,935</u>	<u>33,274,878</u>
Total liabilities and net assets	<u>\$ 34,797,572</u>	<u>\$ 54,659,879</u>	<u>\$ (19,862,307)</u>

Statement of Fiduciary Net Assets

	Private-Purpose Trust		
	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Total assets	<u>\$ 19,862,307</u>	<u>\$ -</u>	<u>\$ 19,862,307</u>
Net assets	<u>\$ 19,862,307</u>	<u>\$ -</u>	<u>\$ 19,862,307</u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

NOTE H – RESTATEMENT – Continued

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund

	Enterprise Fund		
	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Operating revenues	\$ 67,272,071	\$ 67,272,071	\$ -
Operating expenses	<u>587,445</u>	<u>67,552,960</u>	<u>(66,965,515)</u>
Operating income	66,684,626	(280,889)	66,965,515
Nonoperating revenue	<u>18,037</u>	<u>412,365</u>	<u>(394,328)</u>
Excess of revenues over expenses before transfers	66,702,663	131,476	66,571,187
Transfers out	<u>68,978,538</u>	<u>-</u>	<u>68,978,538</u>
CHANGE IN NET ASSETS	(2,275,875)	131,476	(2,407,351)
Net assets at beginning of year	<u>37,052,688</u>	<u>1,370,459</u>	<u>35,682,229</u>
Net assets at end of year	<u>\$ 34,776,813</u>	<u>\$ 1,501,935</u>	<u>\$ 33,274,878</u>

Statement of Changes in Fiduciary Net Assets

	Private-Purpose Trust		
	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Additions	\$ 69,372,866	\$ -	\$ 69,372,866
Deductions	<u>62,957,946</u>	<u>-</u>	<u>62,957,946</u>
Change in net assets	6,414,920	-	6,414,920
Net assets at January 1, 2005	<u>13,447,387</u>	<u>-</u>	<u>13,447,387</u>
Net assets at December 31, 2005	<u>\$ 19,862,307</u>	<u>\$ -</u>	<u>\$ 19,862,307</u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

NOTE H – RESTATEMENT – Continued

Statement of Cash Flows – Proprietary Fund

	Enterprise Fund		
	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Cash flows from operating activities	\$69,157,848	\$ 6,199,903	\$ 62,957,945
Cash flows from noncapital financing activities	(68,993,161)	-	(68,993,161)
Cash flows from capital and related financing activities	(14,946)	(14,946)	-
Cash flows from investing activities	<u>18,344</u>	<u>412,671</u>	<u>(394,327)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	168,085	6,597,628	(6,429,543)
Cash and cash equivalents at January 1, 2005	<u>608,701</u>	<u>14,041,465</u>	<u>(13,432,764)</u>
Cash and cash equivalents at December 31, 2005	<u><u>\$ 776,786</u></u>	<u><u>\$20,639,093</u></u>	<u><u>\$ (19,862,307)</u></u>