Franklin Park Conservatory Joint Recreation District

Financial Report
with Supplemental Information
December 31, 2017

Dave Yost • Auditor of State

Finance Committee
Franklin Park Conservatory Joint Recreation District
1777 East Broad Street
Columbus, Ohio 43203

We have reviewed the *Independent Auditor's Report* of the Franklin Park Conservatory Joint Recreation District, Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Franklin Park Conservatory Joint Recreation District is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 19, 2018

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Independent Auditor's Report

To the Finance Committee
Franklin Park Conservatory Joint
Recreation District

Report on the Financial Statements

We have audited the accompanying financial statements of Franklin Park Conservatory Joint Recreation District (the "Conservatory") as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise Franklin Park Conservatory Joint Recreation District'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 auditor's 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Franklin Park Conservatory Joint Recreation District as of December 31, 2017 and 2016 and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Finance Committee
Franklin Park Conservatory Joint
Recreation District

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, 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, which 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 supplemental 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Franklin Park Conservatory Joint Recreation District's basic financial statements. The combining schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The combining schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018 on our consideration of Franklin Park Conservatory Joint Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Franklin Park Conservatory Joint Recreation District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 16, 2018

Management's Discussion and Analysis (Unaudited)

The following Management's Discussion and Analysis (MD&A) section of the Franklin Park Conservatory Joint Recreation District's (the "Conservatory") financial report represents a discussion and analysis of the Conservatory's financial performance during the fiscal years ended December 31, 2017 and 2016. Please read it in conjunction with the Conservatory's financial statements, which follow this section. Franklin Park Conservatory Joint Recreation District is known publicly as Franklin Park Conservatory and Botanical Gardens.

Overview of the Financial Statements

The Conservatory accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Conservatory is improving or deteriorating.

The statement of revenue, expenses and changes in net position reports the operating revenue and expenses and non-operating revenue and expenses of the Conservatory for the fiscal year with the difference being combined with any capital contributions to determine the change in net position for the fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, non-capital financing activities, capital, and related financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

The activities of the Friends of the Conservatory and Women's Sustaining Board are also included in the financial statements.

Operating Highlights

1. Over 224,000 and 206,000 patrons visited the Conservatory during 2017 and 2016, respectively.

2. Volunteers donated 14,781 hours of service to the Conservatory in 2017, saving approximately $136,724 in labor costs.

3. The Conservatory delivered over 5,000 educational experiences in the form of classes, programs, and outreach events to 50,000 people. This includes 130 programs through Family Fun engaging 15,000 visitors, Farmers Market welcoming 6,300 shoppers, school programs serving 13,000 children and teachers, with Girl Scout programming serving 600 girls and troop leaders. Additionally, 300 new community gardeners were served.

4. In April 2017, The Conservatory broke ground on the Scotts Miracle-Gro Foundation Children's Garden. In the fall of 2017, it also began work on its final project of Master Plan 2.0, the Expanded Visitor Experience. These projects are scheduled for completion on May 19, 2018 at a combined cost of $8,250,000.

5. The Conservatory hosted the exhibit *Topiaries at the Conservatory* from May – October 2017. This featured 14 sculptures featuring endangered animals crafted by Conservatory Horticulture staff and placed in installations throughout the Conservatory. The exhibit drew 68,428 attendees and raised $504,945 in revenue.

Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2017, 2016, and 2015 (000s omitted).

	2017	2016	2015
Assets			
Current Assets	$ 5,533	$ 4,561	$ 4,985
Capital Assets	30,275	26,177	24,324
Deferred Outflows of Resources	2,649	1,776	617
Other Noncurrent Assets	2,194	2,062	2,104
Total Assets and Deferred Outflows	$ 40,651	$ 34,576	$ 32,030
Liabilities			
Current Liabilities	$ 4,761	$ 3,256	$ 3,955
Net Pension Liability	5,928	4,086	2,766
Notes Payable	1,467	2,159	3,224
Deferred Inflows	39	84	51
Other Noncurrent Liabilities	17	16	17
Total Liabilities and Deferred Inflows	$ 12,212	$ 9,601	$ 10,013
Net Position			
Net investment in capital assets	$ 25,805	$ 22,136	$ 18,614
Restricted net position	2,076	1,333	559
Unrestricted net position	558	1,506	2,844
Total net position	$ 28,439	$ 24,975	$ 22,017

Current Assets - The decrease in current assets from 2015 to 2016 is due to fluctuation in capital campaign contribution giving. The increase in current assets from 2016 to 2017 is due to additional pledges.

Capital Assets - Capital assets, net of disposals and accumulated depreciation, increased 4,097,000 during 2017 and increased 1,853,000 during 2016.

The following items were capitalized:

- In 2017, Barn cooler, catering dishwasher, remaining Wells barn and atrium items, Palm house cooling fans, a new website and a vehicle.
- In 2016, the atrium renovations and new east visitor entrance, remaining Wells barn items, a scissor lift, and a vehicle.
- In 2015, the Wells Barn, along with furniture and fixtures.

Depreciation on capital assets was $1,418,000 for 2017, $1,344,000 for 2016, and $1,145,000 for 2015.

Deferred Outflows/Inflows of Resources - Because of the implementation of GASB 68 in 2015, the Conservatory had a deferred outflow of resources of $2,649,000 in 2017 and $1,776,000 in 2016 and a deferred inflow of resources of $39,000 in 2017 and $84,000 in 2016.

Other Noncurrent Assets – The receipt of long-term pledges for the Master Plan Capital Campaign, at present value, was the significant factor in the increase in 2017 and payments on pledges in 2016 resulted in a decrease in long-term pledges receivable.

Current Liabilities – In 2017, the $200,000 operating line of credit was paid off. In 2016, the $700,000 line of credit on the Master Plan Phase One bonds, was paid off and $200,000 was borrowed on the operating line of credit. In 2015, a $700,000 line of credit was established to pay off the remaining principal on the Master Plan Phase One bonds. Accounts payable and accrued expenses increased $675,000 in 2017, decreased $276,000 in 2016 and $265,000 in 2015. Unearned revenue and customer deposits decreased $90,000 in 2017, $20,000 in 2016, and increased $159,000 in 2015.

Net Pension Liability - Due to the implementation of GASB 68 in 2015, the Conservatory is now required to recognize accrued pension liability. $1,842,000 of accrued pension liability was recorded in 2017, $1,320,000 in 2016 and $2,766,000 in 2015.

Notes Payable – In 2017 notes payable decreased primarily due to payoff of the balance on the Wells Barn and atrium loans, offset partially by new debt on a Children's Garden loan. Notes payable decreased primarily in 2016 due to principal payments on the Wells Barn loans, offset partially by new debt on the atrium refresh and new east entrance project. In 2015, notes payable increased due to the addition of $2,874,000 in long-term debt for the Wells Barn capital addition.

Other Noncurrent Liabilities – Other noncurrent liabilities include accrued compensated absences and reflect a slight increase.

Net Position - The largest portion of the Conservatory's net position each year represents its investment in capital assets, less related debt outstanding used to acquire those capital assets. The Conservatory uses these assets to provide services to its visitors; consequently, these assets are not available for future spending.

Financial Results

Operating Revenue

The following schedule presents a summary of operating revenue for the fiscal years ended December 31, 2017, 2016, and 2015 (000s omitted).

	2017	2016	2015
General Admissions	$ 1,203	$ 1,061	$ 959
Membership	602	506	490
Gift shop sales	556	504	492
Facility rentals	3,247	2,992	1,835
Other	944	864	682
Total operating revenue	$ 6,552	$ 5,927	$ 4,458

Operating revenue increased by 11% from $5,927,000 to $6,552,000 from 2016 to 2017, 33% from $4,458,000 to $5,927,000 from 2015 to 2016, reflecting the impact of the investment in the Wells Barn and the atrium renovations. Additionally, admissions, memberships, gift shop, and café sales vary from year to year based on the timing of exhibits and how they resonate with the Conservatory's visitors. Facility rentals and other income help to stabilize total operating revenue.

Operating Expenses

The following schedule presents a summary of expenses for the fiscal years ended December 31, 2017, 2016, and 2015 (000s omitted).

	2017	2016	2015
Payroll, benefit, and tax	$ 6,070	$ 4,731	$ 4,053
Cost of goods sold	805	715	570
Marketing	165	145	179
Operating supplies	1,032	848	786
Utilities	275	295	321
Rental expense	308	269	188
Facility expense	329	274	273
Office and banking	382	374	314
Contracted services and profession	1,012	1,045	990
Other expenses	532	495	520
Depreciation expense	1,418	1,343	1,145
Total operating expenses	$ 12,328	$ 10,534	$ 9,339

Total operating expenses increased 17 percent in 2017 due to additional activity including the Conservatory being open in the evenings in the month of December. Total operating expenses increased 12 percent in 2016 due to the additional activity resulting from the Wells Barn and renovated atrium and operating expense increased 3 percent in 2015.

Personnel costs increased 28 percent in 2017, 17 percent in 2016 and 5 percent in 2015; cost of living increases and increased staffing levels for additional activity were factors in the three fiscal years.

Cost of goods increased in 2017 and 2016 due to corresponding increase in gross sales in the gift shop and facility rentals. In 2015, cost of goods decreased due to lower gross sales. The increase in operating supplies in 2017, 2016 and 2015 was due to the addition of the Wells Barn and renovated atrium, additional community outreach and education programming, and increased horticulture contracts.

Facility expenses will fluctuate from year to year based on the maintenance needs of the buildings.

Non-operating Revenue and Expenses

The following schedule presents a summary of non-operating revenue and capital contributions for the fiscal years ended December 31, 2017, 2016, and 2015 (000s omitted).

	2017	2016	2015
Nonoperating revenue:			
City revenue	$ 500	$ 350	$ 380
City - Master plan and other	1,500	1,500	1,500
County revenue	525	525	525
County revenue - Master Plan	500	500	
State revenue - Master Plan	1,000	-	1,000
Donations and grants	5,398	4,840	5,273
Investment income	-	18	4
Interest expense	(182)	(168)	(46)
Other expense			(2)
Total	$ 9,241	$ 7,565	$ 8,634

Contributions identified as State, County, and City - Master Plan and other, represent State, County, and City campaign gifts for the Master Plan, including capital projects.

City revenue increased by $150,000 in 2017, was reduced by $30,000 in 2016 and $120,000 in 2015. Franklin County increased operating and programming support to the Conservatory by $25,000 in 2015 and Masterplan by $500,000 in 2016. State revenue increased by $1,000,000 to support the masterplan. Donations and grants increased by $558,000 primarily due to Children's garden capital campaign. Reduced in 2016 by $433,000 and in 2015 increased $3,091,000 primarily due to donations and grants to the Master Plan 2.0 capital campaign.

Interest expense was $182,000, $168,000, and $46,000 in 2017, 2016, and 2015 respectively. This expense increased in 2017 due to additional interest on the Children's Garden debt, in 2016 due to additional interest on the Wells Barn and atrium debt. In 2015, $47,000 in interest was capitalized while construction occurred.

Non-operating other expenses were $2,000 in 2015. Non-operating other expenses represent non-capital soft costs related to the Master Plan and other capital projects.

<u>Contacting the Conservatory's Management</u>

This financial report is intended to provide the community with a general overview of the Conservatory's finances and to show the Conservatory's accountability for the money it receives. We welcome you to contact us at Franklin Park Conservatory and Botanical Gardens at 1777 E. Broad Street, Columbus, OH 43203, or at www.fpconservatory.org.

Statement of Net Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 3,728,388	$ 3,001,741
Receivables (Note 3)	1,468,169	1,199,035
Inventory	126,335	131,002
Prepaid expenses	209,889	229,436
Total current assets	5,532,781	4,561,214
Noncurrent assets:		
Capital assets:		
Assets not subject to depreciation (Note 4)	9,774,734	4,464,036
Assets subject to depreciation - Net (Note 4)	20,500,640	21,713,876
Restricted cash and cash equivalents (Note 2)	100,928	1,110,578
Noncurrent receivables (Note 3)	1,839,279	724,213
Other noncurrent assets	254,048	226,766
Total noncurrent assets	32,469,629	28,239,469
Total assets	38,002,410	32,800,683
Deferred Outflows Related to Pension (Note 8)	2,648,639	1,775,569
Liabilities		
Current liabilities:		
Accounts payable	1,034,228	402,176
Accrued expenses	230,901	188,171
Unearned revenue and customer deposits	492,189	582,423
Line of credit (Note 5)	-	200,000
Current portion of long-term debt (Note 6)	3,003,568	1,882,888
Total current liabilities	4,760,886	3,255,658
Noncurrent liabilities:		
Net pension liability (Note 8)	5,927,842	4,085,885
Note payable (Note 6)	1,466,809	2,159,274
Other noncurrent liabilities	17,047	16,159
Total noncurrent liabilities	7,411,698	6,261,318
Total liabilities	12,172,584	9,516,976
Deferred Inflows Related to Pension (Note 8)	38,672	84,130
Net Position		
Net investment in capital assets	25,804,997	22,135,750
Restricted:		
Columbus Foundation	249,815	222,533
Various purposes	96,250	20,000
Annie's Fund	57,294	57,025
Growing to Green program	33,634	33,553
Children's Garden	1,639,318	1,000,000
Unrestricted	558,485	1,506,285
Total net position	**$ 28,439,793**	**$ 24,975,146**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenue		
General admissions	$ 1,202,840	$ 1,060,880
Membership	602,068	506,305
Gift shop sales	555,976	503,510
Facility rentals	3,246,835	2,992,174
Other	944,177	864,148
Total operating revenue	6,551,896	5,927,017
Operating Expenses		
Salaries and wages	4,204,365	3,773,847
Payroll taxes and benefits	1,865,617	956,666
Cost of goods sold	805,108	714,842
Marketing	164,573	145,654
Operating supplies	1,032,430	847,770
Utilities	275,176	294,889
Rental expense	307,508	268,602
Facility expenses	329,001	274,527
Office and banking	382,020	373,573
Contracted services and professional fees	1,012,432	1,045,109
Other expense	532,061	495,272
Depreciation expense	1,418,094	1,343,581
Total operating expenses	12,328,385	10,534,332
Operating Loss	(5,776,489)	(4,607,315)
Nonoperating Revenue (Expense)		
State	1,000,000	-
City	500,000	350,000
City Master Plan and other	1,500,000	1,500,000
County	525,000	525,000
County Master Plan	500,000	500,000
Donations and grants	5,398,100	4,840,368
Investment income	369	17,630
Interest expense	(182,333)	(167,672)
Total nonoperating revenue	9,241,136	7,565,326
Change in Net Position	3,464,647	2,958,011
Net Position - Beginning of year	24,975,146	22,017,135
Net Position - End of year	**$ 28,439,793**	**$ 24,975,146**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Receipts from customers	$ 6,461,662	$ 5,906,682
Payments to others	(4,211,201)	(4,852,198)
Payments to employees	(5,103,823)	(4,543,280)
Net cash and cash equivalents used in operating activities	(2,853,362)	(3,488,796)
Cash Flows from Noncapital Financing Activities		
Noncapital subsidies from city, county, and state	4,025,000	2,875,000
Donations and grants	4,013,900	5,978,327
Net cash and cash equivalents provided by noncapital financing activities	8,038,900	8,853,327
Cash Flows from Capital and Related Financing Activities		
Draw on line of credit - Net of payments	(200,000)	(500,000)
Purchase of capital assets	(5,515,556)	(3,197,976)
Principal paid on long-term debt	(4,119,388)	(2,107,838)
Interest paid on long-term debt	(181,570)	(168,163)
Issuance of Master Plan note payable	4,547,604	1,140,000
Net cash and cash equivalents used in capital and related financing activities	(5,468,910)	(4,833,977)
Cash Flows Provided by Investing Activities - Interest and dividends on cash and investments	369	17,630
Net (Decrease) Increase in Cash and Cash Equivalents	(283,003)	548,184
Cash and Cash Equivalents - Beginning of year	4,112,319	3,564,135
Cash and Cash Equivalents - End of year	**$ 3,829,316**	**$ 4,112,319**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (5,776,489)	$ (4,607,315)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,418,094	1,343,581
Changes in assets and liabilities:		
Receivables	(90,234)	(13,342)
Inventory	4,667	(20,753)
Prepaid expenses	19,547	(89,213)
Accounts payable	632,176	(268,652)
Net pension liability	923,429	194,674
Accrued expenses and other	15,448	(27,776)
Net cash and cash equivalents used in operating activities	**$ (2,853,362)**	**$ (3,488,796)**

See notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Columbus, Ohio (the "City") and Franklin County, Ohio (the "County") agreed in 1990 to establish Franklin Park Conservatory Joint Recreation District (the "Conservatory") pursuant to the authority contained in Section 755.14 (B) of the Ohio Revised Code (ORC) upon the conclusion of Ameriflora 1992, Inc.'s horticulture exposition held at the Conservatory. In April 2007, the City and the County entered into an amended and restated agreement regarding the Conservatory, pursuant to the authority contained in Section 755.14 (C) of the ORC. The new agreement allows the Conservatory to exist until July 31, 2057. However, the City and the County may renew and extend the agreement for additional successive terms of 50 years, with the title to the Conservatory's assets reverting back to the City at the end of the agreement.

The Conservatory is governed by a 21-member board, eight of whom shall be appointed by the City of Columbus, Ohio's mayor subject to confirmation by the City Council and six of whom shall be appointed by Franklin County, Ohio. The governor, the speaker of the House of Representatives, and the president of the Senate of the State of Ohio shall each appoint one member to the Conservatory board. State-appointed members are nonvoting members if they also serve as members of the Ohio General Assembly; no member presently serves both roles. Four members of the board are appointed by a majority of the existing board members.

The accompanying financial statements present the Conservatory and its component units, entities for which the Conservatory is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Conservatory's operations (See discussion below for description).

<u>Blended Component Units</u>

Friends of the Conservatory - In July 1999, the Conservatory created Friends of the Conservatory (Friends), a separate legal not-for-profit corporation, in accordance with Section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. Although it is legally separate from the Conservatory, Friends of the Conservatory is reported as if it were part of the primary government because its sole purpose is to promote the Conservatory and raise capital and solicit funds in support of the Conservatory.

Franklin Park Conservatory Women's Sustaining Board - In 1984, the Franklin Park Conservatory Women's Sustaining Board (the "Women's Board") was organized to create awareness of the Conservatory, to provide support to the Conservatory, and to broaden the base of support in the community for the Conservatory. The Women's Board is a legally separate not-for-profit organization in accordance with Section 501(c)(3) of the Internal Revenue Code. The Women's Board is considered a blended component unit of the Conservatory under GASB Statement No. 61.

Joint Venture

The arrangement between the City and the County establishing the Conservatory possesses the characteristics of an entity classified as a joint venture. The City contributed certain fixed assets to the Conservatory at the time of its inception and both the City and the County have historically agreed to annual subsidies. In 2017, the subsidies from the City and the County were $3,025,000, including $2,000,000 in contributions for the Master Plan and other. In 2016, the subsidies were $2,875,000, including $2,000,000 in contributions for the Master Plan and other. This represents 19 percent and 21 percent of the Conservatory's 2017 and 2016 revenue, respectively. In the event of the Conservatory's liquidation, its assets will be transferred to the City. Based on the above, the Conservatory is a joint venture between the City and the County. Future capabilities of the Conservatory to operate at current service levels are dependent upon annual subsidies from the City and the County.

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The accounting policies of Franklin Park Conservatory Joint Recreation District (the "Conservatory") follow accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by Franklin Park Conservatory Joint Recreation District:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue from charges for services is reported as operating revenue. Transactions which are capital, financing, or investment-related are reported as nonoperating revenue. Expenses from employee wages and benefits, purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Restricted cash and cash equivalents consist of restrictions as identified in Note 10.

Receivables

All receivables are shown as net of allowance for uncollectible amounts.

Inventory

Inventory is valued at the average cost method.

Plant Collection

The Conservatory does not capitalize its plants. They are expensed as purchased. The plant collection is held for public exhibition and education; is protected, kept unencumbered, cared for, and preserved; and is subject to a conservatory policy that requires proceeds from sales of the plant collection be used to acquire other plant collections.

Capital Assets

Capital assets, which include property, plant, and equipment, are capitalized at cost or estimated historical cost where no historical records exist. Capital assets are defined by the Conservatory as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Buildings and building improvements	10-30 years
Vehicles	5-10 years
Office furnishings	3-15 years
Other equipment	3-15 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Conservatory had deferred outflows of resources related to the net pension liability (see Note 8).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Conservatory had deferred inflows of resources related to the net pension liability (see Note 8)

Pension and Other Postemployment Benefit Costs

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees' Retirement System Pension Plan (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the Conservatory's policy to allow employees to carry forward three days of paid time off. For employees hired before 2003, it is the Conservatory's policy to pay out any unused sick and vacation time. A liability for these amounts is reported if it is probable that the employee will be compensated through a cash payment.

Budgetary Accounting and Control

The Conservatory's annual budget is prepared on the accrual basis of accounting and approved by the board of directors. The budget includes anticipated amounts for current year revenue and expenses as well as contributions, grants, and new capital projects. The Conservatory maintains budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. The board is apprised every other month of actual results compared to budget. All budget amounts lapse at year end.

Use of Estimates

The preparation of 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 revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

These amounts are classified into the following categories:

	2017 Cash and Cash Equivalents	2017 Restricted Cash (Note 10)
Deposits with financial institutions	$ 3,719,698	$ 100,928
Cash on hand	8,690	-
Total	$ 3,728,388	$ 100,928

	2016 Cash and Cash Equivalents	2016 Restricted Cash (Note 10)
Deposits with financial institutions	$ 2,992,351	$ 1,110,578
Cash on hand	9,390	-
Total	$ 3,001,741	$ 1,110,578

The investment and deposit of the Conservatory's monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, the Conservatory is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; bankers' acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; and STAROhio.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Conservatory's deposits may not be returned to it. The Conservatory does not have a deposit policy for custodial credit risk. At year end, the Conservatory's deposit balance with financial institutions was $3,794,897 and $2,741,291 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the Conservatory had $722,054 and $777,469, respectively, of bank deposits that were covered by deposit insurance provided by the FDIC.

Note 3 - Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	2017	2016
Short-term pledge receivable	$ 1,285,183	$ 1,060,483
Other short-term receivables	198,746	149,724
Long-term pledge receivable	2,016,100	765,760
Less:		
Allowance for doubtful accounts	15,760	11,172
Discount	176,821	41,547
Total accounts receivable	$ 3,307,448	$ 1,923,248

Note 4 - Capital Assets

Capital asset activity for the years ended December 31, 2017 and 2016 was as follows:

	Balance January 1, 2017	Transfers	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated:					
Land	$ 100,000	$ -	$ -	$ -	$ 100,000
Art collections	3,492,850	-	-	(59,000)	3,433,850
Construction in progress	871,186	(205,625)	5,575,323	-	6,240,884
Subtotal	4,464,036	(205,625)	5,575,323	(59,000)	9,774,734
Capital assets being depreciated:					
Buildings	24,308,940	-	-	-	24,308,940
Buildings improvements	7,680,663	63,902	-	(788)	7,743,777
Exhibits	186,864	-	-	-	186,864
Equipment and fixtures	2,438,960	141,723	-	(166,254)	2,414,429
Vehicles	110,324	-	38,615	-	148,939
Subtotal	34,725,751	205,625	38,615	(167,042)	34,802,949
Accumulated depreciation	13,011,875	-	1,418,094	(127,660)	14,302,309
Net capital assets being depreciated	21,713,876	205,625	(1,379,479)	(39,382)	20,500,640
Net capital assets	$ 26,177,912	$ -	$ 4,195,844	$ (98,382)	$ 30,275,374

	Balance January 1, 2016	Transfers	Additions	Disposals and Adjustments	Balance December 31, 2016
Capital assets not being depreciated:					
Land	$ 100,000	$ -	$ -	$ -	$ 100,000
Art collections	3,492,850	-	-	-	3,492,850
Construction in progress	551,636	(2,840,282)	3,159,832	-	871,186
Subtotal	4,144,486	(2,840,282)	3,159,832	-	4,464,036
Capital assets being depreciated:					
Buildings	24,208,940	100,000	-	-	24,308,940
Buildings improvements	5,329,729	2,350,934	-	-	7,680,663
Exhibits	186,864	-	-	-	186,864
Equipment and fixtures	2,064,609	389,348	30,122	(45,119)	2,438,960
Vehicles	113,629	-	9,900	(13,205)	110,324
Subtotal	31,903,771	2,840,282	40,022	(58,324)	34,725,751
Accumulated depreciation	11,724,740	-	1,343,581	(56,446)	13,011,875
Net capital assets being depreciated	20,179,031	2,840,282	(1,303,559)	(1,878)	21,713,876
Net capital assets	$ 24,323,517	$ -	$ 1,856,273	$ (1,878)	$ 26,177,912

Note 5 - Line of Credit

The Conservatory has a revolving credit agreement with Fifth Third Bank for operations. The line was renewed on July 6, 2016 at $500,000. The Conservatory borrowed $200,000 during 2016. The line matures on July 5, 2017 and bears an interest rate at LIBOR plus 2.65 percent; the effective interest rate at December 31, 2016 was 3.53 percent. The Conservatory made no payments during 2016 and has an outstanding balance of $200,000 at December 31, 2016. The Conservatory made payments of $200,000 during 2017 and has no outstanding balance at December 31, 2017.

During 2017, the Conservatory entered into a revolving credit agreement for $750,000 with Huntington National Bank. The Conservatory had no outstanding balance as of December 31, 2017.

Note 6 - Long-term Debt

The changes in notes payable and compensated absences for the years ended December 31, 2017 and 2016 were as follows:

	2017					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long-term
Compensated absences	$ 38,781	$ 8,919	$ -	$ 47,700	$ 30,653	$ 17,047
Notes payable	4,042,162	4,547,604	(4,119,389)	4,470,377	3,003,568	1,466,809
Total long-term obligations	$ 4,080,943	$ 4,556,523	$ (4,119,389)	$ 4,518,077	$ 3,034,221	$ 1,483,856

	2016					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long-term
Compensated absences	$ 36,309	$ 22,622	$ (20,150)	$ 38,781	$ 22,622	$ 16,159
Notes payable	5,010,000	1,140,000	(2,107,838)	4,042,162	1,882,888	2,159,274
Total long-term obligations	$ 5,046,309	$ 1,162,622	$ (2,127,988)	$ 4,080,943	$ 1,905,510	$ 2,175,433

During 2014, the Conservatory obtained a $1,500,000 unsecured promissory note to provide construction financing for the second phase of the Master Plan. The note bears interest at a fixed annual rate of 5 percent. Subsequent to the first year, quarterly installments of interest and principal are due according to draws made through maturity in September 2023. As of December 31, 2017 and 2016, the outstanding loan balance was $1,344,273 and $1,424,079, respectively.

During 2015, the Conservatory obtained a $300,000 unsecured promissory note with a related party to provide construction financing for the second phase of the Master Plan. The entire principal is due on February 28, 2018. The note bears interest at a fixed annual rate of 5 percent. As of December 31, 2017 and 2016, the outstanding note balance was $300,000.

During 2015, the Conservatory obtained a $3,500,000 loan agreement for the purchase and renovation of a multipurpose barn under the second phase of the Master Plan. Interest only is due in monthly installments through March 1, 2016 and is accrued at the monthly LIBOR plus 2.5 percent. Beginning in March 2016, the aggregate unpaid principal will become subject to a repayment period of 36 months, ending upon maturity in March 2019. The periodic repayment amounts are determined based on all donations, grants, pledges, loans, and other funds received by the Conservatory for the barn project except (1) the proceeds of the $1,500,000 unsecured promissory note, (2) the proceeds of the $300,000 unsecured promissory note, and (3) the first $300,000 of other cash proceeds received with respect to the barn project. The loan is secured by all personal property, except certain assets and rights under purchase agreement. The outstanding loan balance was $0 and $1,178,083 as of December 31, 2017 and 2016, respectively. The loan was paid in full during 2017.

Note 6 - Long-term Debt (Continued)

During 2016, the Conservatory obtained a $2,500,000 loan agreement for atrium and facade renovations under the second phase of the Master Plan. Interest only is due in monthly installments and is accrued at the monthly LIBOR plus 2.25 percent. Beginning in March 2017, the aggregate unpaid principal will become subject to a repayment period of 36 months, ending upon maturity in March 2020. The periodic repayment amounts are determined based on all donations, grants, pledges, loans, and other funds received by the Conservatory for the atrium project except (1) the proceeds of the $1,500,000 unsecured promissory note, (2) the proceeds of the $300,000 unsecured promissory note, and (3) the first $300,000 of other cash proceeds received with respect to the atrium project. The loan is secured by all personal property, except certain assets and rights under purchase agreement. The outstanding loan balance was $0 and $1,140,000 as of December 31, 2017 and 2016, respectively. The loan was paid in full during 2017.

During 2017, the Conservatory entered into a delayed draw loan agreement for construction of a children's garden and an expanded visitor experience under the second phase of the Master Plan. Interest only is due in monthly installments and is accrued at the daily LIBOR plus 2.25 percent (3.88 percent at December 31, 2017). Beginning in December 2018, the aggregate unpaid principal will become subject to repayment quarterly. The quarterly repayment amounts are determined based on all pledges available for the project collected during the previous quarter. Any unpaid principal is due upon maturity in July 2021. The loan is secured by all personal property, except certain assets and rights under purchase agreement. The outstanding loan balance was $2,826,104 as of December 31, 2017.

In 2017 and 2016, the Conservatory paid interest of approximately $182,000 and $167,000, respectively. Approximately $0 and $46,000 of interest paid was capitalized as of December 31, 2017 and 2016, respectively. Annual debt service requirements to maturity for the above note obligations are estimated as follows:

Years Ending December 31	Principal	Interest	Total
2018	$ 3,003,568	$ 115,613	$ 3,119,181
2019	294,604	67,909	362,513
2020	92,691	55,342	148,033
2021	97,434	50,540	147,974
2022	103,704	45,493	149,197
2023	878,376	75,752	954,128
Total	$ 4,470,377	$ 410,649	$ 4,881,026

Note 7 - Risk Management

The Conservatory maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, the Conservatory provides medical benefits to most of its full-time employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs. The Conservatory is part of the statewide plan for workers' compensation insurance coverage. There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

Note 8 - Defined Benefit Pension Plan

Plan Description

All conservatory employees are required to participate in the statewide Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement board of the system sets contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each employer’s contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plan’s 2017 and 2016 contribution rates on covered payroll are as follows:

	2017 Employer Contribution Rate			
	Pension	Postretirement Health Care	Death Benefits	Total
OPERS	13.00 %	1.00 %	- %	14.00 %

	2016 Employer Contribution Rate			
	Pension	Postretirement Health Care	Death Benefits	Total
OPERS	12.00 %	2.00 %	- %	14.00 %

The Conservatory's required and actual contributions to the plan for the years ended December 31, 2017 and 2016 were approximately $565,000 and $515,000, respectively.

Benefits Provided

Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

Note 8 - Defined Benefit Pension Plan (Continued)

A death benefit of $500 - $2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense

At December 31, 2017, the Conservatory reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Conservatory's proportion of the net pension liability was based on the its long term-share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Measurement Date	Net Pension Liability	Proportionate Share
December 31, 2016	$ 5,927,842	0.02617%
December 31, 2015	4,085,885	0.02364%

The Conservatory's proportionate share increased 10.70 percent during 2017.

At December 31, 2017 and 2016, the Conservatory reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,587	$ 36,091	$ 1,740	$ 80,925
Changes in assumptions	943,833	-	-	-
Net difference between projected and actual earnings on pension plan investments	886,236	-	1,204,088	-
Difference between actual and proportionate share of contributions	246,357	2,581	54,590	3,205
Employer contributions to the plan subsequent to the measurement date	565,626	-	515,151	-
Total	$ 2,648,639	$ 38,672	$ 1,775,569	$ 84,130

Note 8 - Defined Benefit Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31	Amount
2018	$ 841,640
2019	844,211
2020	360,859
2021	(2,078)
2022	(189)
Thereafter	(102)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in 2018.

Actuarial Assumptions

The total pension liability is based on the results of an actuarial valuation as determined by using the following actuarial assumptions applied to all periods included in the measurement:

	2017	2016
Valuation date	December 31, 2016	December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Cost-of-living	3.0 percent	3.0 percent
Salary increases, including inflation	3.25 percent to 10.75 percent	4.25 percent to 10.05 percent
Inflation	2.50 percent	3.75 percent
Investment rate of return	7.50 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Mortality rates	RP-2014 mortality table	RP-2010 mortality table projected 20 years using Projection Scale AA

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period of five years ended December 31, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent and 8.0 percent as of December 31, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2017		2016	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	23.00 %	2.75 %	23.00 %	2.31 %
Domestic equities	20.70	6.34	20.70	5.84
Real estate	10.00	4.75	10.00	4.25
Private equity	10.00	8.97	10.00	9.25
International equity	18.30	7.95	18.30	7.40
Other investments	18.00	4.92	18.00	4.59

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Conservatory, calculated using the discount rate of 7.5 percent and 8.0 percent for the years ended December 31, 2017 and 2016, respectively, as well as what the Conservatory's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Net pension liability - 2017	$ 9,070,198	$ 5,927,842	$ 3,310,033

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability - 2016	$ 6,524,201	$ 4,085,885	$ 2,029,957

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in a separately issued OPERS financial report.

Note 9 - Other Postemployment Benefits

Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare coverage.

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare coverage provided by OPERS meets the definition of another postemployment benefit (OPEB) as described in GASB Statement No. 45.

Note 9 - Other Postemployment Benefits (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement healthcare benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017 and 2016, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employers. Active members do not make contributions to the OPEB plan.

OPERS’ postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of the postemployment healthcare benefits. The portion of employer contributions allocated to health care for members was 1 percent during 2017 and 2 percent during both 2016 and 2015. The OPERS board of trustees is also authorized to establish rules for the payment of a portion of the healthcare benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the Conservatory’s contribution used to fund OPEB was approximately $40,402, $73,593, and $66,970 for 2017, 2016, and 2015, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS board of trustees on September 4, 2004 was effective on January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the healthcare plan.

Deferred Compensation Plan

The Conservatory also maintains a voluntary deferred compensation plan, which allows eligible employees to defer a portion of their salary to be held in trust up to certain established annual limits.

Note 10 - Restricted Net Position

Net position of the Conservatory has been restricted for the following purposes:

	2017	2016
Columbus Foundation	$ 249,815	$ 222,533
Children's Garden	1,639,318	1,000,000
Restricted - Various purposes	96,250	20,000
Annie's Fund	57,294	57,025
Growing to Green Program	33,634	33,553
Total	$ 2,076,311	$ 1,333,111

In 1996, the Women's Board created a fund for the Conservatory at the Columbus Foundation, an Ohio not-for-profit corporation. These funds are included in other noncurrent assets.

Contributions were received from donors for various restricted purposes. These funds are included in the restricted cash and cash equivalents and receivables.

In 2001, Annie's Fund for the Creative Arts created a fund for the Conservatory in the form of a collection of Koi (Japanese carp) fish. All donations received are reserved and the interest is restricted for the care and support of these fish and their environment. These funds are included in restricted cash and cash equivalents in the statement of net position.

In 2006, the Growing to Green Program was established to support the annual program operations of the Conservatory's Growing to Green Program. All donations received are reserved and restricted for this program. These funds are included in the restricted cash and cash equivalents.

In 2017 and 2016, the Conservatory received donations for the specific use of construction of the Children's Garden. Any unspent funds are included in restricted cash and cash equivalents and receivables.

Unrestricted net position of the Conservatory at December 31, 2017 and 2016 is as follows:

	2017	2016
Designated for capital projects	$ 3,916,153	$ 3,966,333
Designated for financial sustainability	424,252	424,252
Undesignated	(3,781,920)	(2,884,300)
Total	$ 558,485	$ 1,506,285

In July 1999, the Conservatory created Friends of the Conservatory (Friends), a separate legal not-for-profit corporation, in accordance with Section 501(c)(3) of the Internal Revenue Code, to support the common good of the general public through the support and assistance of and cooperation with the Conservatory. During 2005, Friends began raising support for the Conservatory's Master Plan. The Master Plan is a comprehensive strategic plan to promote programmatic and financial goals of the Conservatory. These donations are designated for the purpose of the Master Plan.

Note 11 - Blended Component Units

As of December 31, 2017, the condensed statement of net position; statement of revenue, expenses, and changes in net position; and statement of cash flows for the blended component units are as follows:

	2017	
	Friends of the Conservatory	Women's Sustaining Board
Current assets	$ 8,379,970	$ 119,607
Nondepreciable capital assets	3,424,400	-
Other noncurrent assets	1,849,279	-
Total assets	$ 13,653,649	$ 119,607
Current liabilities	$ 3,045,285	$ 31,942
Noncurrent liabilities	1,466,809	-
Net position:		
Net investment in capital assets	3,424,400	-
Restricted	2,286,577	-
Unrestricted	3,430,578	87,665
Total net position	9,141,555	87,665
Total liabilities and net position	$ 13,653,649	$ 119,607
Operating revenue	$ -	$ 95,562
Operating expenses	27,779	198,716
Loss from operations	(27,779)	(103,154)
Nonoperating (expenses) revenue:		
Interest expense	(68,390)	-
Donations and grants	4,124,020	431,132
Operating support to other entities	(3,935,800)	(318,000)
Total nonoperating revenue	119,830	113,132
Increase in net position	$ 92,051	$ 9,978
Net cash used in operating activities	$ (496,761)	$ (65,387)
Net cash (used in) provided by noncapital financing	(1,219,936)	91,454
Net cash provided by capital and related financing	487,214	-
Net (decrease) increase in cash and cash equivalents	(1,229,483)	26,067
Cash and cash equivalents - Beginning of year	2,857,405	71,001
Cash and cash equivalents - End of year	$ 1,627,922	$ 97,068

Note 12 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Conservatory to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement (OPERS) plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Conservatory is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Conservatory's financial statements for the year ending December 31, 2018.

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Required Supplemental Information

Required Supplemental Information
Schedule of Pension Funding Progress
OPERS

Last Three Fiscal Years

Year Ended December 31

	2017	2016	2015
Franklin Park Conservatory's proportion of the net pension liability	0.02617 %	0.02364 %	0.02295 %
Franklin Park Conservatory's proportionate share of the net pension liability	$ 5,927,842	$ 4,085,885	$ 2,766,370
Franklin Park Conservatory's covered employee payroll	$ 3,759,323	$ 3,348,521	$ 3,090,364
Franklin Park Conservatory's proportionate share of the net pension liability as a percentage of its covered employee payroll	157.68 %	122.02 %	89.52 %
Plan fiduciary net position as a percentage of total pension liability	77.39 %	81.20 %	86.50 %

Required Supplemental Information
Schedule of Contributions
OPERS

Last Three Fiscal Years

Year Ended December 31

	2017	2016	2015
Statutorily required contribution	$ 565,626	$ 515,151	$ 468,793
Contributions in relation to the actuarially determined contractually required contribution	565,626	515,151	468,793
Contribution Deficiency	**$ -**	**$ -**	**$ -**
Franklin Park Conservatory's Covered Employee Payroll	$ 4,172,654	$ 3,686,791	$ 3,348,521
Contributions as a Percentage of Covered Employee Payroll	14.00 %	14.00 %	14.00 %

Changes of Benefit Term

Amounts reported in 2017 and 2016 for OPERS reflect no change in benefits.

Changes of Assumptions

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for 2014 - 2016. For 2017, the most significant changes of assumptions that affected the net pension liability include a reduction in the investment rate of return from 8.00 percent to 7.50 percent, a decrease in the wage inflation from 3.75 percent to 3.25 percent, and a change in the future salary increase from a range of 4.25 percent to 10.05 percent to a range of 3.25 percent to 10.75 percent.

Additional Information

Franklin Park Conservatory
Combining Schedule of Revenue and Expenses
For the Twelve Months Ending December 31, 2017

	DAILY ACTIVITIES			FRANKLIN PARK CONSERVATORY			FRIENDS OF THE CONSERVATORY				
	FPC	FOC	TOTAL	DAILY ACTIVITIES	OTHER ACTIVITIES	COMBINING TOTAL	DAILY ACTIVITIES	OTHER ACTIVITIES	COMBINING TOTAL	**WOMEN'S SUSTAINING BOARD**	**TOTAL CONSOLIDATED**
OPERATING REVENUE											
General Admissions	1,202,840	-	1,202,840	1,202,840	-	1,202,840	-	-	-	-	1,202,840
Memberships	589,478	-	589,478	589,478	-	589,478	-	-	-	12,590	602,068
Gift Shop Sales	555,976	-	555,976	555,976	-	555,976	-	-	-	-	555,976
Facility Rentals	3,246,835	-	3,246,835	3,246,835	-	3,246,835	-	-	-	-	3,246,835
Other	792,628	-	792,628	792,628	68,577	861,205	-	-	-	82,972	944,177
Total Operating Revenue	6,387,757	-	6,387,757	6,387,757	68,577	6,456,334	-	-	-	95,562	6,551,896
OPERATING EXPENSES											
Salaries & Wages	4,194,365	-	4,194,365	4,194,365	10,000	4,204,365	-	-	-	-	4,204,365
Payroll Taxes and Benefits	942,437	-	942,437	942,437	923,180	1,865,617	-	-	-	-	1,865,617
Cost of Goods Sold	805,108	-	805,108	805,108	-	805,108	-	-	-	-	805,108
Marketing	160,720	-	160,720	160,720	-	160,720	-	-	-	3,853	164,573
Operating Supplies	846,056	-	846,056	846,056	186,374	1,032,430	-	-	-	-	1,032,430
Utilities	275,176	-	275,176	275,176	-	275,176	-	-	-	-	275,176
Rental Expense	278,905	-	278,905	278,905	-	278,905	-	-	-	28,603	307,508
Facility Expense	329,001	-	329,001	329,001	-	329,001	-	-	-	-	329,001
Office and Banking	364,570	80	364,650	364,570	15,276	379,846	80	-	80	2,094	382,020
Contracted Services and Professional Fees	927,302	-	927,302	927,302	72,457	999,758	-	-	-	12,673	1,012,432
Other Expense	220,372	200	220,572	220,372	132,498	352,870	200	27,499	27,699	151,492	532,061
Depreciation expense	-	-	-	-	1,418,094	1,418,094	-	-	-	-	1,418,094
Total Operating Expenses	9,344,012	280	9,344,292	9,344,012	2,757,878	12,101,890	280	27,499	27,779	198,716	12,328,385
Operating Income (Loss)	(2,956,255)	(280)	(2,956,535)	(2,956,255)	(2,689,301)	(5,645,557)	(280)	(27,499)	(27,779)	(103,154)	(5,776,489)
NONOPERATING REVENUE (EXPENSES)											
Intergovernmental Revenue											
State	-	-	-	-	1,000,000	1,000,000	-	-	-	-	1,000,000
City	500,000	-	500,000	500,000	-	500,000	-	-	-	-	500,000
City - Master Plan and other	-	-	-	-	1,500,000	1,500,000	-	-	-	-	1,500,000
County	525,000	-	525,000	525,000		525,000	-	-	-	-	525,000
County - Master Plan and other	-	-	-	-	500,000	500,000	-	-	-	-	500,000
Donations and Grants	960,928	739,918	1,700,846	960,928	(117,980)	842,948	739,918	3,384,102	4,124,020	431,132	5,398,100
Operating Support from FOC to FPC	650,000	(650,000)	-	650,000	3,285,800	3,935,800	(650,000)	(3,285,800)	(3,935,800)	-	-
Operating Support from WSB to FPC	318,000	-	318,000	318,000	-	318,000	-	-	-	(318,000)	-
Investment Income	369	-	369	369		369	-	-	-	-	369
Interest Expense	(3,708)	(68,390)	(72,098)	(3,708)	(110,235)	(113,943)	(68,390)	-	(68,390)	-	(182,333)
Total nonoperating revenue	2,950,589	21,528	2,972,117	2,950,589	6,057,585	9,008,174	21,528	98,302	119,830	113,132	9,241,136
INCOME (LOSS)	**(5,666)**	**21,248**	**15,582**	**(5,666)**	**3,368,284**	**3,362,617**	**21,248**	**70,803**	**92,051**	**9,978**	**3,464,647**

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*

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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*

Independent Auditor's Report

To Management and the Finance Committee
Franklin Park Conservatory Joint
Recreation District

We have audited, 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, the financial statements of Franklin Park Conservatory Joint Recreation District (the "Conservatory"), which comprise the basic statement of financial position as of December 31, 2017 and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservatory's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservatory's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservatory'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Conservatory's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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 Conservatory's financial statements are free from 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.*

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To Management and the Finance Committee
Franklin Park Conservatory Joint
Recreation District

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 on the effectiveness of the Conservatory'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 Conservatory's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

March 16, 2018

FRANKLIN PARK CONSERVATORY JOINT RECREATION DISTRICT

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2018

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