

# **Franklin Park Conservatory Joint Recreation District**

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**Financial Report  
December 31, 2015**





# 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, 2015 through December 31, 2015. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 6, 2016

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# Franklin Park Conservatory Joint Recreation District

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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, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Conservatory'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

To the Finance Committee  
Franklin Park Conservatory Joint  
Recreation District

### **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Franklin Park Conservatory Joint Recreation District as of December 31, 2015 and 2014 and the 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.

### **Emphasis of Matter**

As discussed in Note 8 to the basic financial statements, during the year ended December 31, 2015, the Conservatory adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. In accordance with Statement No. 68, the Conservatory is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. Adopting this Statement also resulted in significant changes to the defined benefit related footnote disclosures as well as the Required Supplemental Information schedules. Our opinion is not modified with respect to this matter.

### **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 opinions 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.

To the Finance Committee  
Franklin Park Conservatory Joint  
Recreation District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016 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 30, 2016

# **Franklin Park Conservatory Joint Recreation District**

## **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, 2015 and 2014. 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 revenue, 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 nonoperating 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**

- Over 201,000 and 178,000 patrons visited the Conservatory during 2015 and 2014, respectively.
- Volunteers donated approximately 12,500 hours of service to the Conservatory in 2015, saving approximately \$282,000 in labor costs.

# Franklin Park Conservatory Joint Recreation District

## Management's Discussion and Analysis (Unaudited) (Continued)

- The Conservatory conducted 136 offsite programs, serving 5,164 adults and children, welcomed 5,800 shoppers at the Farmers Market (nearly doubling 2014 attendance), and served 2,718 children and adults through community gardening. The Conservatory also offered 498 classes in gardening, health and wellness, culinary and fine arts, serving 3,996 participants.
- In October 2015, the Wells Barn, a 12,000 square-foot facility for education and community outreach programming and events, was completed on time and on budget. This facility is built on the frame of a rescued 200-year-old Ohio barn and is the premiere project in the Conservatory's Master Plan 2.0 campaign.
- David Rogers's *Big Bugs* exhibition and the Spring Bulb Show (displaying a record planting of 70,000 bulbs) were a catalyst of increased summer visitation. Together, these produced a 30 percent increase in attendance over 2014 between April and September.

### Financial Position

The following summarizes the Conservatory's financial position as of December 31, 2015, 2014, and 2013 (000s omitted).

	2015	2014	2013
<b>Assets</b>			
Current assets	\$ 4,985	\$ 2,950	\$ 2,664
Capital assets	24,324	20,188	20,448
Deferred outflows of resources	617	-	-
Other noncurrent assets	2,104	1,711	2,023
Total assets and deferred outflows	<u>\$ 32,030</u>	<u>\$ 24,849</u>	<u>\$ 25,135</u>
<b>Liabilities</b>			
Current liabilities	\$ 3,955	\$ 3,945	\$ 2,183
Net pension liability	2,766	-	-
Notes payable	3,224	350	-
Deferred inflows	51	-	-
Other noncurrent liabilities	17	17	1,889
Total liabilities and deferred inflows	<u>\$ 10,013</u>	<u>\$ 4,312</u>	<u>\$ 4,072</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 18,614	\$ 18,318	\$ 18,273
Restricted net position	559	348	454
Unrestricted net position	2,844	1,871	2,336
Total net position	<u>\$ 22,017</u>	<u>\$ 20,537</u>	<u>\$ 21,063</u>

# Franklin Park Conservatory Joint Recreation District

## Management's Discussion and Analysis (Unaudited) (Continued)

**Current Assets** - The increase in current assets from 2013 to 2014 is the result of additional capital dollars that were received in 2014 but had not been expended by the end of the year. The increase in current assets from 2014 to 2015 is due to capital campaign contributions and an increase in prepaid expenses for 2016 exhibits.

**Capital Assets** - Capital assets, net of disposals and accumulated depreciation, increased 4,135,000 during 2015, decreased \$260,000 during 2014, and decreased \$927,000 during 2013.

The following items were capitalized:

- In 2015, the Wells Barn, along with furniture and fixtures.
- In 2014, a new hot shop (glass-blowing) furnace, two new vehicles for the security and grounds staff, and various small building upgrades.
- In 2013, a major website redesign, server upgrade, additional point of sale system components, and various pieces of equipment.

Depreciation on capital assets was \$1,145,000 for 2015, \$990,000 for 2014, and \$1,063,000 for 2013.

**Deferred Outflows/Inflows of Resources** - As a result of the implementation of GASB 68, the Conservatory had a deferred outflow of resources of \$617,000 and a deferred inflow of resources of \$50,000 in 2015.

**Other Noncurrent Assets** - A change in the balance of pledges for the Master Plan Capital Campaign, at present value, expected to be realized more than one year from the statement of net position date was the significant factor in the increase or decrease to other noncurrent assets.

**Current Liabilities** – In 2015, a \$700,000 line of credit was established to pay off the remaining principal on the Master Plan Phase One bonds. In 2014 and 2013, current liabilities included \$1,870,000 and \$305,000 for principal payments on the bonds due in 2015 and 2014 respectively. Current liabilities in 2014 and 2013 also included a \$500,000 balance on the Conservatory's operating line of credit. Accounts payable and accrued expenses decreased \$265,000 in 2015 and increased \$239,000 in 2014. Unearned revenue and customer deposits increased \$159,000 in 2015 and decreased \$41,000 in 2014.

**Net Pension Liability** - Due to the implementation of GASB 68, the Conservatory recognized \$2,766,000 of accrued pension liabilities in 2015.

**Notes Payable** – Notes payable increased in 2015 due to the addition of \$4,660,000 in debt for the Wells Barn capital addition, less \$1,870,000 used to pay off the bonds payable. In 2014, there was a dramatic decrease due to the reclassification of the bonds payable balance to current as a result of a change in structuring of the bond financing.

# Franklin Park Conservatory Joint Recreation District

## Management's Discussion and Analysis (Unaudited) (Continued)

**Other Noncurrent Liabilities** – Other noncurrent liabilities include accrued compensated absences and remain unchanged.

**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, 2015, 2014, and 2013 (000s omitted).

	2015	2014	2013
General admissions	\$ 959	\$ 983	\$ 950
Membership	490	462	445
Gift shop sales	492	492	460
Facility rentals	1,835	1,991	1,678
Other	682	549	669
Total operating revenue	<u>\$ 4,458</u>	<u>\$ 4,477</u>	<u>\$ 4,202</u>

Operating revenue increased from \$4,202,000 to \$4,477,000 from 2013 to 2014 and then remained relatively flat for 2015 at \$4,458,000. Admissions, memberships, gift shop, and café sales will vary from year to year based on the timing of exhibits and how they resonate with the Conservatory's visitors, but Bruce Munro Light was a major exhibition that positively impacted all of these revenue streams in late 2013 and early 2014. Facility rentals and other income, including education, help to stabilize total operating revenue.

# Franklin Park Conservatory Joint Recreation District

## Management's Discussion and Analysis (Unaudited) (Continued)

### Operating Expenses

The following schedule presents a summary of expenses for the fiscal years ended December 31, 2015, 2014, and 2013 (000s omitted).

	2015	2014	2013
Payroll, benefit, and tax	\$ 4,053	\$ 3,843	\$ 3,563
Cost of goods sold	570	573	501
Marketing	179	249	212
Operating supplies	786	660	669
Utilities	321	316	316
Rental expense	188	173	157
Facility expense	273	189	206
Office and banking	314	354	270
Contracted services and professional fees	990	1,157	943
Other expenses	520	419	480
Total operating expenses	<u>\$ 8,194</u>	<u>\$ 7,933</u>	<u>\$ 7,317</u>

Total operating expenses increased 3 percent in 2015 and 8 percent in 2014. The Bruce Munro Light exhibition was a significant factor in increases in payroll, benefit, tax, marketing, and contracted services and professional fees in 2013 and 2014.

Personnel costs increased 5 percent in 2015 and 8 percent in 2014; cost of living increases and increased staffing levels for the special exhibitions and additional activities were factors in both fiscal years. Additionally, a new position was created for the Director of Community Outreach and Education during 2014.

Cost of goods increased in 2014 due to corresponding increased 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 2015 was due to the addition of the Wells Barn, 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.

# Franklin Park Conservatory Joint Recreation District

## Management's Discussion and Analysis (Unaudited) (Continued)

### Nonoperating Revenue and Expenses

The following schedule presents a summary of nonoperating revenue and capital contributions for the fiscal years ended December 31, 2015, 2014, and 2013 (000s omitted).

	2015	2014	2013
Nonoperating revenue:			
City revenue	\$ 380	\$ 500	\$ 500
City - Master plan and other	1,500	800	890
County revenue	525	500	261
State revenue	1,000	-	-
Donations and grants	5,273	2,182	3,893
Investment income	4	10	3
Investment expense	(46)	(44)	(69)
Other expense	(2)	(29)	(87)
Total	<u>\$ 8,634</u>	<u>\$ 3,919</u>	<u>\$ 5,391</u>

Contributions identified as state and city - Master Plan and other, represent state and city campaign gifts for the Master Plan, including capital projects.

City revenue was reduced \$120,000 in 2015. Franklin County increased operating and programming support to the Conservatory by \$25,000 in 2015, after a more than 90 percent increase in 2014. Donations and grants in 2015 increased \$3,091,000 primarily due to donations and grants to the Master Plan 2.0 capital campaign. 2013 was significantly higher than 2014 due to Bruce Munro's light sponsorships and a large pledge for the Master Plan capital campaign.

Interest expense was approximately \$46,000, \$44,000, and \$69,000 in 2015, 2014, and 2013, respectively. This expense decreased in 2014 primarily due to the reduction of bonds payable, and increased slightly in 2015 as a result of new interest expense for the Wells Barn. During 2015, \$47,000 in interest was capitalized while construction occurred.

Nonoperating other expenses were approximately \$2,000, \$29,000, and \$87,000 in 2015, 2014, and 2013, respectively. Nonoperating other expenses represent non-capital soft costs related to the Master Plan and other capital projects.

### Contacting the Conservatory's Management

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](http://www.fpconservatory.org).

# Franklin Park Conservatory Joint Recreation District

## Statement of Net Position

	December 31, 2015	December 31, 2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,385,874	\$ 2,066,717
Receivables (Note 3)	1,349,375	647,255
Inventory	110,249	112,784
Prepaid expenses	140,223	123,408
Total current assets	4,985,721	2,950,164
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets (Note 4)	4,144,486	4,461,092
Depreciable capital assets (Note 4)	31,903,771	26,406,460
Accumulated depreciation (Note 4)	(11,724,740)	(10,679,428)
Total capital assets	24,323,517	20,188,124
Restricted cash and cash equivalents (Note 2)	178,261	138,274
Noncurrent receivables (Note 3)	1,711,832	1,357,734
Other noncurrent assets	213,424	215,032
Total noncurrent assets	26,427,034	21,899,164
Total assets	31,412,755	24,849,328
<b>Deferred Outflows Related to Pension (Note 8)</b>	616,984	-
Total assets and deferred outflows of resources	<b>\$ 32,029,739</b>	<b>\$ 24,849,328</b>
<b>Liabilities</b>		
Current liabilities:		
Line of credit (Note 5)	700,000	500,000
Accounts payable	670,828	782,391
Unearned revenue and customer deposits	602,758	443,906
Accrued expenses	195,612	348,795
Current portion of long-term debt (Note 6)	1,786,416	1,870,000
Total current liabilities	3,955,614	3,945,092
Noncurrent liabilities:		
Net pension liability (Note 8)	2,766,370	-
Note payable (Note 6)	3,223,584	350,000
Other noncurrent liabilities	16,650	17,105
Total noncurrent liabilities	6,006,604	367,105
Total liabilities	9,962,218	4,312,197
<b>Deferred Inflows Related to Pension (Note 8)</b>	50,386	-
<b>Net Position</b>		
Net investment in capital assets	18,613,520	18,318,124
Restricted:		
Columbus Foundation	209,191	210,199
Various purposes	259,418	47,867
Annie's Fund	56,917	56,867
Growing to Green Program	33,573	33,540
Unrestricted	2,844,516	1,870,534
Total net position	22,017,135	20,537,131
Total liabilities, deferred inflows, and net position	<b>\$ 32,029,739</b>	<b>\$ 24,849,328</b>

# Franklin Park Conservatory Joint Recreation District

## Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended	
	December 31, 2015	December 31, 2014
<b>Operating Revenue</b>		
General admissions	\$ 959,022	\$ 983,564
Membership	490,272	461,965
Gift shop sales	492,374	491,637
Facility rentals	1,834,764	1,990,675
Other	681,422	549,303
Total operating revenue	4,457,854	4,477,144
<b>Operating Expenses</b>		
Salaries and wages	3,422,036	3,202,607
Payroll taxes and benefits	631,326	640,513
Cost of goods sold	569,544	572,863
Marketing	179,146	249,038
Operating supplies	786,040	659,584
Utilities	321,394	315,850
Rental expense	187,580	173,026
Facility expenses	273,429	189,358
Office and banking	314,101	354,329
Contracted services and professional fees	989,921	1,156,694
Other expense	520,045	419,445
Total operating expenses	8,194,562	7,933,307
<b>Operating Loss - Before depreciation</b>	(3,736,708)	(3,456,163)
<b>Depreciation</b>	1,145,107	990,079
<b>Operating Loss</b>	(4,881,815)	(4,446,242)
<b>Nonoperating Revenue (Expenses)</b>		
Intergovernmental revenue:		
State	1,000,000	-
City	380,000	500,000
City - Master Plan and other	1,500,000	800,000
County	525,000	500,000
Donations and grants	5,273,489	2,181,860
Investment income	3,697	10,452
Interest expense	(45,772)	(44,203)
Other expense	(1,930)	(28,665)
Total nonoperating revenue	8,634,484	3,919,444
<b>Increase (Decrease) in Net Position</b>	3,752,669	(526,798)
<b>Net Position - Beginning of year</b>	20,537,131	21,063,929
<b>Restatement Due to Change in Accounting Principle (Note 8)</b>	(2,272,665)	-
<b>Net Position - End of year</b>	<b>\$ 22,017,135</b>	<b>\$ 20,537,131</b>

# Franklin Park Conservatory Joint Recreation District

## Statement of Cash Flows

	Year Ended	
	December 31, 2015	December 31, 2014
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 4,456,126	\$ 4,373,949
Payments to others	(4,106,583)	(3,661,255)
Payments to employees	(4,279,893)	(3,833,421)
Net cash used in operating activities	(3,930,350)	(3,120,727)
<b>Cash Flows from Noncapital Financing Activities</b>		
Noncapital subsidies from city, county, and state	3,405,000	1,800,000
Donations and grants	4,218,999	2,721,776
Net cash provided by noncapital financing activities	7,623,999	4,521,776
<b>Cash Flows from Capital and Related Financing Activities</b>		
Draw on line of credit - Net of payments	200,000	-
Payments on capital Master Plan expenses	(1,930)	(28,665)
Purchase of capital assets	(5,280,500)	(730,026)
Principal paid on bonds	(1,870,000)	(305,000)
Interest paid on bonds	(45,772)	(39,828)
Issuance of Master Plan note payable	4,660,000	350,000
Net cash used in capital and related financing activities	(2,338,202)	(753,519)
<b>Cash Flows from Investing Activities</b>		
Interest and dividends on cash and investments	3,697	10,452
Proceeds from sale and maturities of investment securities	-	5,191
Net cash provided by investing activities	3,697	15,643
<b>Net Increase in Cash and Cash Equivalents</b>	1,359,144	663,173
<b>Cash and Cash Equivalents - Beginning of year</b>	2,204,991	1,541,818
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,564,135</b>	<b>\$ 2,204,991</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (4,881,815)	\$ (4,446,242)
Depreciation	1,145,107	990,079
Changes in assets and liabilities:		
Receivables	(1,728)	(103,195)
Inventory	2,535	(9,406)
Prepaid expenses	(16,815)	215,509
Accounts payable	(111,563)	222,829
Net pension liability	(72,893)	-
Accrued expenses and other	6,822	9,699
Net cash used in operating activities	<b>\$ (3,930,350)</b>	<b>\$ (3,120,727)</b>

# Franklin Park Conservatory Joint Recreation District

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## Notes to Financial Statements December 31, 2015 and 2014

### Note I - Summary of Significant Accounting Policies

#### Reporting Entity

The City of Columbus (the "City") and Franklin County (the "County") agreed in 1990 to establish 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' mayor subject to confirmation by the City Council and six appointed by Franklin County. 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).

#### **Blended Component Units**

**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.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note I - Summary of Significant Accounting Policies (Continued)

**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 County have historically agreed to annual subsidies. In 2015, the subsidies from the City and County were \$2,405,000, including \$1,500,000, which represents contributions for the Master Plan. In 2014, the subsidies were \$1,800,000, including \$800,000, which represents contributions for the Master Plan and other. This represents 18 percent and 21 percent of the Conservatory's 2015 and 2014 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.

#### **Accounting and Reporting Principles**

The accounting policies of the 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.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note I - Summary of Significant Accounting Policies (Continued)

**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

**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 deferred outflows of resources related to the net pension liability. (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 deferred inflows of resources related to the net pension liability. (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.

# Franklin Park Conservatory Joint Recreation District

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## Notes to Financial Statements December 31, 2015 and 2014

### Note I - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - It is the Conservatory's policy to allow employees to carryforward 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.

**Adoption of New Standard** - The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the Conservatory has reported a net pension liability of approximately \$2 million as a change in accounting principle adjustment to unrestricted net position as of January 1, 2015. December 31, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending December 31, 2014.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 2 - Deposits and Investments

These amounts are classified into the following deposits and investment categories:

	<u>December 31, 2015</u>	
	Cash and Cash Equivalents	Restricted Cash (Note 10)
Deposits with financial institutions	\$ 3,376,729	\$ 178,261
Cash on hand	<u>9,145</u>	<u>-</u>
Total	<u>\$ 3,385,874</u>	<u>\$ 178,261</u>

  

	<u>December 31, 2014</u>	
	Cash and Cash Equivalents	Restricted Cash (Note 10)
Deposits with financial institutions	\$ 2,015,168	\$ 138,274
Investments - Short-term funds (2a7-like)	41,004	-
Cash on hand	<u>10,545</u>	<u>-</u>
Total	<u>\$ 2,066,717</u>	<u>\$ 138,274</u>

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.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be redeemed.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 2 - Deposits and Investments (Continued)

**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 \$2,952,473 and \$2,124,743 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the Conservatory had \$783,671 and \$686,267, respectively, of bank deposits that were covered by deposit insurance provided by the FDIC.

#### STAROhio Funds

The Conservatory's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAROhio were rated AAAM by Standard & Poor's. The Conservatory's investment balance with STAROhio was \$0 and \$41,004 at December 31, 2015 and 2014, respectively.

### Note 3 - Receivables

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

	2015	2014
Receivables:		
Short-term pledge receivable	\$ 1,242,147	\$ 534,700
Other short-term receivables	117,228	115,500
Long-term pledge receivable	1,819,333	1,462,900
Less allowance for uncollectibles	(10,000)	(2,945)
Less discount	(107,501)	(105,166)
Net receivables	<u>\$ 3,061,207</u>	<u>\$ 2,004,989</u>

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 4 - Capital Assets

Capital asset activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance January 1, 2015	Transfers	Additions	Disposals	Balance December 31, 2015
Capital assets not being depreciated:					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Art collections	3,492,850	-	-	-	3,492,850
Construction in progress	868,242	(5,597,106)	5,280,500	-	551,636
Subtotal	4,461,092	(5,597,106)	5,280,500	-	4,144,486
Capital assets being depreciated:					
Buildings	19,541,413	4,667,527	-	-	24,208,940
Building improvements	5,113,358	216,371	-	-	5,329,729
Exhibits	186,864	-	-	-	186,864
Equipment and fixtures	1,451,196	713,208	-	(99,795)	2,064,609
Vehicles	113,629	-	-	-	113,629
Subtotal	26,406,460	5,597,106	-	(99,795)	31,903,771
Accumulated depreciation	10,679,428	-	1,145,107	(99,795)	11,724,740
Net capital assets being depreciated	15,727,032	5,597,106	(1,145,107)	-	20,179,031
Net capital assets	\$ 20,188,124	\$ -	\$ 4,135,393	\$ -	\$ 24,323,517
	Balance January 1, 2014	Transfers	Additions	Disposals	Balance December 31, 2014
Capital assets not being depreciated:					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Art collections	3,492,850	-	-	-	3,492,850
Construction in progress	215,137	(71,129)	724,234	-	868,242
Subtotal	3,807,987	(71,129)	724,234	-	4,461,092
Capital assets being depreciated:					
Buildings	19,541,413	-	-	-	19,541,413
Buildings and improvements	5,106,893	6,465	-	-	5,113,358
Exhibits	186,864	-	-	-	186,864
Equipment and fixtures	1,429,748	15,656	5,792	-	1,451,196
Vehicles	64,621	49,008	-	-	113,629
Subtotal	26,329,539	71,129	5,792	-	26,406,460
Accumulated depreciation	9,689,349	-	990,079	-	10,679,428
Net capital assets being depreciated	16,640,190	71,129	(984,287)	-	15,727,032
Net capital assets	\$ 20,448,177	\$ -	\$ (260,053)	\$ -	\$ 20,188,124

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### 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, 2015 at \$500,000. The line matures on July 5, 2016 and bears an interest rate at LIBOR plus 2.65 percent. The Conservatory made payments of \$500,000 during 2015 and has no outstanding balance at December 31, 2015.

During 2015, the Conservatory entered into an additional revolving credit agreement for \$750,000 with Fifth Third Bank. The line matures on May 21, 2016 and bears an interest rate at LIBOR plus 2.65 percent; the effective rate at December 31, 2015 was 3.15 percent. The Conservatory borrowed \$700,000 during the year to retire the 2007 bonds and these borrowings are collateralized by all personal property. The outstanding balance as of December 31, 2015 was \$700,000.

### Note 6 - Long-term Debt

The changes in bonds, notes payable, and compensated absences for the years ended December 31, 2015 and 2014 were as follows:

	December 31, 2015					
	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year	Long-term
2007 variable-rate tax-free bonds	\$ 1,870,000	\$ -	\$ (1,870,000)	\$ -	\$ -	\$ -
Accumulated compensated absences	35,880	19,659	(19,230)	36,309	19,659	16,650
Note payable	350,000	4,660,000	-	5,010,000	1,786,416	3,223,584
Total long-term obligations	<u>\$ 2,255,880</u>	<u>\$ 4,679,659</u>	<u>\$ (1,889,230)</u>	<u>\$ 5,046,309</u>	<u>\$ 1,806,075</u>	<u>\$ 3,240,234</u>
	December 31, 2014					
	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year	Long-term
2007 variable-rate tax-free bonds	\$ 2,175,000	\$ -	\$ (305,000)	\$ 1,870,000	\$ 1,870,000	\$ -
Accumulated compensated absences	37,743	18,775	(20,638)	35,880	18,775	17,105
Note payable	-	350,000	-	350,000	-	350,000
Total long-term obligations	<u>\$ 2,212,743</u>	<u>\$ 368,775</u>	<u>\$ (325,638)</u>	<u>\$ 2,255,880</u>	<u>\$ 1,888,775</u>	<u>\$ 367,105</u>

The Conservatory issued \$7,100,000 of variable rate tax free bonds through the Columbus Franklin County Finance Authority during 2007. The proceeds of this issue were used for construction of new facilities. During 2015, the entire outstanding balance of the bonds was paid off.

# Franklin Park Conservatory Joint Recreation District

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## Notes to Financial Statements December 31, 2015 and 2014

### Note 6 - Long-term Debt (Continued)

During 2014, the Conservatory obtained a \$1,500,000 unsecured promissory note to provide additional construction financing for the second phase of the Master Plan. The Conservatory is able to make draws on the note as needed. Interest only is due in quarterly installments through December 31, 2015 and is accrued at a fixed annual rate of 5 percent. Subsequent to the first year, quarterly installments of interest and principal will be due according to draws made through maturity in September 2023. As of December 31, 2015 the Conservatory has drawn \$1,500,000 on the note.

During 2015, the Conservatory obtained a \$300,000 unsecured promissory note with a related party to provide additional construction financing for the second phase of the Master Plan. Interest only is due in quarterly installments through February 28, 2018, at which time the entire principal together with any accrued interest is due. Interest is accrued at a fixed annual rate of 5 percent. As of December 31, 2015, the Conservatory has an outstanding balance on the note of \$300,000.

Also during 2015, the Conservatory obtained a \$3,500,000 loan agreement for the purchase and renovation of a multi-purpose barn under the second phase of the Master Plan. The Conservatory is able to make draws on the loan as needed through February 26, 2016. 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. As of December 31, 2015, the Conservatory has drawn \$3,210,000 on the loan.

Subsequent to year end, the Conservatory entered into an additional loan agreement for \$2,500,000 for renovations under the second phase of the Master Plan.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 6 - Long-term Debt (Continued)

In 2015 and 2014, the Conservatory paid interest of approximately \$93,000 and \$40,000, respectively. Approximately \$47,000 and \$0 of interest paid was capitalized as of December 31, 2015 and 2014, respectively. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,786,416	\$ 137,065	\$ 1,923,481
2017	844,891	113,740	958,631
2018	919,941	77,096	997,037
2019	209,287	63,898	273,185
2020	193,855	56,030	249,885
2021-2023	1,055,610	171,785	1,227,395
Total	<u>\$ 5,010,000</u>	<u>\$ 619,614</u>	<u>\$ 5,629,614</u>

### 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.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### 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 2015 and 2014 contribution rates on covered payroll are:

	2015 Employer Contribution Rate			
	Pension	Post-Retirement Healthcare	Death Benefits	Total
OPERS	12.00%	2.00%	0.00%	14.00%

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

	2014 Employer Contribution Rate			
	Pension	Post-		Total
		Retirement Healthcare	Death Benefits	
OPERS	12.00%	2.00%	0.00%	14.00%

The Conservatory's required and actual contributions to the plan for the years ended December 31, 2015 and 2014 were approximately \$469,000 and \$433,000, 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 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.

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, 2015, the Conservatory reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 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 a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At December 31, 2015, the Conservatory's proportion was 0.2 percent.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

At December 31, 2015, the Conservatory reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 49,251
Differences between actual and proportionate share of contributions	-	1,135
Net difference between projected and actual earnings on pension plan investments	148,191	-
Employer contributions to the plan subsequent to the measurement date	468,793	-
Total	<u>\$ 616,984</u>	<u>\$ 50,386</u>

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 June 30	Amount
2016	\$ 14,087
2017	14,087
2018	33,070
2019	36,884
2020	(75)
Thereafter	(248)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in 2016.

**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:

Valuation date	December 31, 2014
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	4.25 percent to 10.05 percent
Inflation	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense
Mortality rates	RP-2000 mortality table projected 20 years using Projection Scale AA.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

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, 2010.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 percent. 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.

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:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equity	19.10	7.40
Other investments	18.00	4.59

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

**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 8.0 percent, 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 (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability	\$ 5,093,092	\$ 2,766,370	\$ 810,479

**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 an other postemployment benefit (OPEB) as described in GASB Statement No. 45.

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.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 9 - Other Postemployment Benefits (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015 and 2014, 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 health care 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 in the Traditional Plan was 2 percent during 2015. The portion of employer contributions allocated to health care for members in the Combined Plan was 2 percent during 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 their 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 \$134,000, \$124,000, and \$112,000 for 2015, 2014, and 2013, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS board of trustees on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates for state and local employers increased 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 - Net Position

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

	2015	2014
Columbus Foundation	\$ 209,191	\$ 210,199
Restricted - Various purposes	259,418	47,867
Annie's Fund	56,917	56,867
Growing to Green Program	33,573	33,540
Total	<u>\$ 559,099</u>	<u>\$ 348,473</u>

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 10 - Net Position (Continued)

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 the restricted cash and cash equivalents.

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.

Unrestricted net position of the Conservatory at December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Designated for capital projects	\$ 5,497,985	\$ 3,088,468
Designated for financial sustainability	424,252	414,059
Undesignated	<u>(3,077,721)</u>	<u>(1,631,993)</u>
Total unrestricted net position	<u>\$ 2,844,516</u>	<u>\$ 1,870,534</u>

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. The donations are designated for the purpose of the Master Plan and payment of the bonds.

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 11 - Blended Component Units

As of December 30, 2015, the condensed statement of net position for the blended component units is as follows:

	Friends of the Conservatory	Women's Sustaining Board
<b>Current Assets</b>	\$ 6,863,852	\$ 67,715
<b>Noncurrent Assets</b>		
Nondepreciable capital assets	3,483,400	-
Other noncurrent assets	1,799,603	-
Total noncurrent assets	5,283,003	-
Total assets	\$ 12,146,855	\$ 67,715
<b>Current Liabilities</b>	\$ 1,799,589	\$ 11,031
<b>Noncurrent Liabilities</b>	3,223,584	-
<b>Net Position</b>		
Net investment in capital assets	3,483,400	-
Restricted	259,418	-
Unrestricted	3,380,864	56,684
Total net position	7,123,682	56,684
Total liabilities and net position	\$ 12,146,855	\$ 67,715

# Franklin Park Conservatory Joint Recreation District

## Notes to Financial Statements December 31, 2015 and 2014

### Note 11 - Blended Component Units (Continued)

As of December 31, 2015, the condensed statement of revenue, expenses, and changes in net position for the blended component units is as follows:

	Friends of the Conservatory	Women's Sustaining Board
Operating revenue	\$ -	\$ 83,568
Operating expense	26,850	171,214
<b>Operating Loss</b>	(26,850)	(87,646)
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	3,570	-
Interest expense	(12,423)	-
Donations and grants	3,259,581	383,766
Operating support to other entities	(1,886,132)	(290,000)
Total nonoperating revenue	1,364,596	93,766
<b>Increase in Net Position</b>	1,337,746	6,120
<b>Net Position - Beginning of year</b>	5,785,936	50,564
<b>Net Position - End of year</b>	<u>\$ 7,123,682</u>	<u>\$ 56,684</u>

As of December 31, 2015, the condensed statement of cash flows for the two blended component units is as follows:

	Friends of the Conservatory	Women's Sustaining Board
Net cash used in operating activities	\$ (4,430,680)	\$ (89,453)
Net cash provided by noncapital financing	303,051	93,766
Net cash provided by capital and related financing	4,660,000	-
<b>Net Increase in Cash and Cash Equivalents</b>	532,371	4,313
<b>Cash and Cash Equivalents - Beginning of year</b>	294,152	60,426
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 826,523</u>	<u>\$ 64,739</u>

# Franklin Park Conservatory Joint Recreation District

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## Notes to Financial Statements December 31, 2015 and 2014

### Note 12 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Conservatory is currently evaluating the impact this standard will have on the financial statements when adopted during the Conservatory's 2016 fiscal year.

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.

## **Required Supplemental Information**

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# **Franklin Park Conservatory Joint Recreation District**

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## **Required Supplemental Information Schedule of the Franklin Park Conservatory Pension Funding Progress OPERS Year Ended December 31, 2015**

	<u>2015</u>
Franklin Park Conservatory's proportion of the net pension liability	0.02300 %
Franklin Park Conservatory's proportionate share of the net pension liability	\$ 2,766,370
Franklin Park Conservatory's covered employee payroll	\$ 3,090,364
Franklin Park Conservatory's proportionate share of the net pension liability as a percentage of its covered employee payroll	89.52 %
Plan fiduciary net position as a percentage of total pension liability	86.50 %

# Franklin Park Conservatory Joint Recreation District

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## Required Supplemental Information Schedule of Franklin Park Conservatory Contributions OPERS Year Ended December 31, 2015

	<u>2015</u>
Statutorily required contribution	\$ 468,793
Contributions in relation to the actuarially determined contractually required contribution	<u>468,793</u>
Contribution deficiency	<u>\$ -</u>
Franklin Park Conservatory's covered employee payroll	\$ 3,348,521
Contributions as a percentage of covered employee payroll	14.0 %

# **Franklin Park Conservatory Joint Recreation District**

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## **Note to Required Supplemental Information Year Ended December 31, 2015**

*Changes of benefit term* - Amounts reported in 2015 for OPERS reflect no change in benefits.

*Changes of assumptions* - Amounts reported in 2015 reflect no adjustments based on changes of assumptions such as life expectancies, retired life mortality, or retirement age.

## **Additional Information**

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**Franklin Park Conservatory  
Combining Schedule of Revenue and Expenses  
For the 12 Months Ending December 31, 2015**

	DAILY ACTIVITIES			FRANKLIN PARK CONSERVATORY			FRIENDS OF THE CONSERVATORY			Note 11	TOTAL CONSOLIDATED
	FPC	FOC	TOTAL	DAILY ACTIVITIES	OTHER ACTIVITIES	COMBINING TOTAL	DAILY ACTIVITIES	OTHER ACTIVITIES	COMBINING TOTAL	Note 11	
										WOMEN'S SUSTAINING BOARD	
<b>OPERATING REVENUE</b>											
General admissions	\$959,022	\$0	\$959,022	\$959,022	\$0	\$959,022	\$0	\$0	\$0	\$0	\$959,022
Memberships	474,622	0	474,622	474,622	0	474,622	0	0	0	15,650	490,272
Gift shop sales	492,374	0	492,374	492,374	0	492,374	0	0	0	0	492,374
Facility rentals and cafe sales	1,834,764	0	1,834,764	1,834,764	0	1,834,764	0	0	0	0	1,834,764
Other Income	561,344	0	561,344	561,344	52,160	613,504	0	0	0	67,918	681,422
<b>Total operating revenue</b>	<b>4,322,126</b>	<b>0</b>	<b>4,322,126</b>	<b>4,322,126</b>	<b>52,160</b>	<b>4,374,286</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,568</b>	<b>4,457,854</b>
<b>OPERATING EXPENSES</b>											
Salaries and wages	3,172,036	0	3,172,036	3,172,036	250,000	3,422,036	0	0	0	0	3,422,036
Payroll taxes and benefits	704,219	0	704,219	704,219	(72,893)	631,326	0	0	0	0	631,326
Cost of goods sold	569,544	0	569,544	569,544	0	569,544	0	0	0	0	569,544
Marketing	175,235	0	175,235	175,235	1,485	176,720	0	0	0	2,426	179,146
Operating supplies	770,379	0	770,379	770,379	15,661	786,040	0	0	0	0	786,040
Utilities	321,394	0	321,394	321,394	0	321,394	0	0	0	0	321,394
Rental expense	184,380	0	184,380	184,380	0	184,380	0	0	0	3,200	187,580
Facility expense	273,429	0	273,429	273,429	0	273,429	0	0	0	0	273,429
Office and banking	311,691	0	311,691	311,691	603	312,294	0	0	0	1,807	314,101
Contracted services and professional fees	800,722	0	800,722	800,722	173,516	974,238	0	0	0	15,683	989,921
Other expense	263,560	9,200	272,760	263,560	81,537	345,097	9,200	17,650	26,850	148,098	520,045
<b>Total operating expenses</b>	<b>7,546,589</b>	<b>9,200</b>	<b>7,555,789</b>	<b>7,546,589</b>	<b>449,909</b>	<b>7,996,498</b>	<b>9,200</b>	<b>17,650</b>	<b>26,850</b>	<b>171,214</b>	<b>8,194,562</b>
Operating loss before depreciation	(3,224,463)	(9,200)	(3,233,663)	(3,224,463)	(397,749)	(3,622,212)	(9,200)	(17,650)	(26,850)	(87,646)	(3,736,708)
Depreciation	0	0	0	0	1,145,107	1,145,107	0	0	0	0	1,145,107
Operating loss	(3,224,463)	(9,200)	(3,233,663)	(3,224,463)	(1,542,856)	(4,767,319)	(9,200)	(17,650)	(26,850)	(87,646)	(4,881,815)
<b>NONOPERATING REVENUE (EXPENSES)</b>											
Intergovernmental revenue											
State	0	0	0	0	1,000,000	1,000,000	0	0	0	0	1,000,000
City	380,000	0	380,000	380,000	0	380,000	0	0	0	0	380,000
City - Master Plan and other	0	0	0	0	1,500,000	1,500,000	0	0	0	0	1,500,000
County	525,000	0	525,000	525,000	0	525,000	0	0	0	0	525,000
Donations and grants	1,474,353	600,461	2,074,814	1,474,354	155,788	1,630,142	600,461	2,659,120	3,259,581	383,766	5,273,489
Operating Support from FOC to FPC	836,532	(836,532)	0	836,532	1,049,600	1,886,132	(836,532)	(1,049,600)	(1,886,132)	0	0
Operating Support from WSB to FPC	290,000	0	290,000	290,000	0	290,000	0	0	0	(290,000)	0
Investment income	0	3,570	3,570	0	127	127	3,570	0	3,570	0	3,697
Investment expense	(4,917)	(12,423)	(17,340)	(4,917)	(28,432)	(33,349)	(12,423)	0	(12,423)	0	(45,772)
Other expense	0	0	0	0	(1,930)	(1,930)	0	0	0	0	(1,930)
<b>Total nonoperating revenue (expense)</b>	<b>3,500,968</b>	<b>(244,924)</b>	<b>3,256,044</b>	<b>3,500,969</b>	<b>3,675,153</b>	<b>7,176,122</b>	<b>(244,924)</b>	<b>1,609,520</b>	<b>1,364,596</b>	<b>93,766</b>	<b>8,634,484</b>
<b>INCOME (LOSS)</b>	<b>\$ 276,505</b>	<b>\$ (254,124)</b>	<b>\$ 22,381</b>	<b>\$ 276,506</b>	<b>\$ 2,132,297</b>	<b>\$ 2,408,803</b>	<b>\$ (254,124)</b>	<b>\$ 1,591,870</b>	<b>\$ 1,337,746</b>	<b>\$ 6,120</b>	<b>\$ 3,752,669</b>

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Franklin Park Conservatory Joint Recreation District, which comprise the basic statement of net position as of December 31, 2015, and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated March 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Franklin Park Conservatory Joint Recreation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 entity'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.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Franklin Park Conservatory Joint Recreation District'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*.

### **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 30, 2016

# **Franklin Park Conservatory Joint Recreation District**

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## **Schedule of Findings and Questioned Costs Year Ended December 31, 2015**

### **Section II - Financial Statement Audit Findings**

None



# Dave Yost • Auditor of State

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  
JUNE 16, 2016