MILL CREEK METROPOLITAN PARK DISTRICT
MAHONING COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Dave Yost • Auditor of State

MILL CREEK METROPOLITAN PARK DISTRICT
MAHONING COUNTY

TABLE OF CONTENTS

TABLE OF CONTENTS – Continued

INDEPENDENT AUDITOR'S REPORT

Mill Creek Metropolitan Park District
Mahoning County
7574 Columbiana-Canfield Road
Canfield, Ohio 44406

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mill Creek Metropolitan Park District, Mahoning County, Ohio (the Park District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Park District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Park District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit**,** each major fund, and the aggregate remaining fund information of Mill Creek Metropolitan Park District, Mahoning County, Ohio, as of December 31, 2017 and 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of the Park District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 the Park District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

November 1, 2018

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2017

The discussion and analysis of the Mill Creek Metropolitan Park District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position increased $1,196,052, which represents an 8% increase from 2016.
- General revenues accounted for $8,430,164 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $2,454,759 or 23% of total revenues of $10,884,923.
- The District had $9,688,871 in expenses related to governmental activities; only $2,454,759 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and unrestricted intergovernmental revenues) of $8,430,164 were adequate to provide for these programs.
- Among major funds, the general fund had $10,635,776 in revenues and $9,705,511 in expenditures. The general fund's fund balance increased $962,755 to $3,837,847.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis and* the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net-position is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating.

- To assess the overall health of the District you need to consider additional nonfinancial factors such as the District's tax base and the condition of the District's capital assets.

The government-wide financial statements of the District are reported in the following category:

- Governmental Activities – All of the District's basic services are reported here, including administration, park operations, golf course operations and law enforcement. State and federal grants, property taxes and user fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Government-Wide Financial Analysis

The following table provides a comparison of the District's net position at December 31, 2017 and 2016:

	Governmental Activities	
	2017	2016
Current and Other Assets	$13,314,849	$12,085,330
Capital Assets, Net	15,593,574	14,711,881
Total Assets	28,908,423	26,797,211
Deferred Outflows of Resources	2,584,704	2,224,543
Net Pension Liability	6,789,915	5,981,919
Long-Term Liabilities	381,230	336,996
Other Liabilities	455,171	251,934
Total Liabilities	7,626,316	6,570,849
Deferred Inflows of Resources	7,580,814	7,360,960
Net Position		
Net Investment in Capital Assets	15,593,574	14,711,881
Restricted	711,383	735,279
Unrestricted	(18,960)	(357,215)
Total Net Position	$16,285,997	$15,089,945

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2017

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2017

Changes in Net Position – The following table provides the changes in net position for fiscal years 2017 and 2016:

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues:		
Charges for Services and Sales	$1,675,245	$1,718,481
Operating Grants and Contributions	467,078	243,579
Capital Grants and Contributions	312,436	474,692
Total Program Revenues	2,454,759	2,436,752
General Revenues:		
Property Taxes	6,911,338	5,574,772
Intergovernmental Revenue, Unrestricted	1,301,945	1,193,855
Investment Earnings	50,336	20,745
Miscellaneous	166,545	142,591
Total General Revenues	8,430,164	6,931,963
Total Revenues	10,884,923	9,368,715
Program Expenses		
Administration	2,146,864	1,882,266
Park Operations	4,089,426	4,584,234
Golf Course	2,067,284	1,250,445
Law Enforcement	1,385,297	1,251,773
Total Expenses	9,688,871	8,968,718
Change in Net Position	1,196,052	399,997
Beginning Net Position	15,089,945	14,689,948
Ending Net Position	$16,285,997	$15,089,945

Governmental Activities

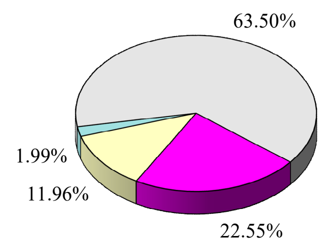
Net position of governmental activities increased $1,196,052, or 8% during 2017. An increase in revenues can mostly be attributed to an increase in property tax revenues, which was the result of a 15 year 1.75 mill renewal levy, paired with an additional 0.25 mills passed in 2015. Collection of the increased tax revenue resulting from the additional 0.25 mills began in fiscal year 2017. Increases in unrestricted intergovernmental revenue can be attributed to increased homestead and rollback reimbursements as a result of the increased tax millage.

Overall, expenses increased 8%, which can be attributed to changes in the net pension liability. During 2017, wages related to the Wick Recreation Area were reclassified from Park Operations to Golf Course Operations, resulting in a decrease in Park Operations expense and a corresponding increase in Golf expense.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2017

Property taxes made up 64% of revenues for the District in fiscal year 2017. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2017	Percent of Total
Property Taxes	$6,911,338	63.50%
Program Revenues	2,454,759	22.55%
Intergovernmental, Unrestricted	1,301,945	11.96%
General Other	216,881	1.99%
Total Revenue	$10,884,923	100.00%



The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, original budgeted, final budgeted and actual budget basis revenues were not materially different. Original and final budgeted appropriations were not materially different. Actual budget basis expenditures were 13% less than final budget appropriations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of $4,549,230, which is an increase from last year's balance of $3,610,371. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	$3,837,847	$2,875,092	$962,755
Other Governmental	711,383	735,279	(23,896)
Total	$4,549,230	$3,610,371	$938,859

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2017

General Fund – The District's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2017 Revenues	2016 Revenues	Increase (Decrease)
Property Taxes	$6,846,602	$5,788,654	$1,057,948
Intergovernmental Revenues	1,305,521	1,197,775	107,746
Fines and Forfeitures	9,304	8,587	717
Charges for Services	1,663,456	1,707,717	(44,261)
Donations	666,129	136,556	529,573
Investment Earnings	42,569	17,140	25,429
All Other Revenue	102,195	98,207	3,988
Total	$10,635,776	$8,954,636	$1,681,140

General Fund revenues increased 19% when compared to revenues in 2016. In November 2015 voters approved a 15 year 1.75 mill renewal levy, paired with an additional 0.25 mills, resulting in increased property tax revenue. Increased donations consisted of amounts received from the Mill Creek Foundation and individuals which are restricted for various District improvements.

	2017 Expenditures	2016 Expenditures	Increase (Decrease)
Administration	$2,011,920	$1,939,485	$72,435
Park Operations	4,142,723	3,591,706	551,017
Golf Course	2,292,179	1,320,889	971,290
Law Enforcement	1,258,689	1,296,731	(38,042)
Total	$9,705,511	$8,148,811	$1,556,700

General Fund expenditures increased $1,556,700, or 19% when compared with the previous year. Increases in Park Operations and Golf Course Operations can be attributed to various capital improvements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2017 the District had $15,593,574 net of accumulated depreciation invested in land, land improvements, buildings and improvements, machinery and equipment, and infrastructure. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land	$3,593,440	$3,580,807	$12,633
Land Improvements	3,318,615	2,688,249	630,366
Buildings and Improvements	15,951,302	15,740,271	211,031
Infrastructure	9,312,978	8,868,081	444,897
Machinery and Equipment	4,949,043	4,573,554	375,489
Less: Accumulated Depreciation	(21,531,804)	(20,739,081)	(792,723)
Totals	$15,593,574	$14,711,881	$881,693

Land improvements included golf course bunker restoration, construction of a wet playground, and walkway improvements. Building improvements included Yellow Creek Pavilion improvements, Ford Nature Center improvements, and various other improvements to District facilities. Infrastructure additions were comprised of West Newport Drive improvements, East Cohasset Drive improvements, and bikeway improvements. Machinery and equipment additions included law enforcement vehicles, park operation vehicles, a tractor, pedal boats, and a mower.

Additional information on the District's capital assets can be found in Note 7.

Debt

The following table summarizes the District's noncurrent liabilities outstanding as of December 31, 2017 and 2016:

	2017	2016
Governmental Activities:		
Compensated Absences	$381,230	$336,996
Net Pension Liability	6,789,915	5,981,919
Total Governmental Activities	$7,171,145	$6,318,915

Additional information on the District's long term liabilities can be found in Note 10.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2017

ECONOMIC FACTORS

In November 2015 voters approved a 15 year 1.75 mill renewal levy, paired with an additional 0.25 mills. Collection of the increased tax revenue resulting from the additional 0.25 mills began in fiscal year 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kevin Smith, Finance Director/Treasurer, Mill Creek Metropolitan Park District, 7574 Columbiana-Canfield Road, P.O. Box 596, Canfield, Ohio 44406, or by calling 330-702-3000.

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Statement of Net Position
December 31, 2017

	Governmental Activities	Component Unit Mill Creek Foundation
Assets:		
Pooled Cash and Investments	$ 4,651,802	$ 0
Investments	0	677,515
Receivables:		
Property Taxes	7,911,758	0
Accounts	82,114	0
Intergovernmental	624,878	0
Prepaid Items	44,297	1,162
Restricted Assets:		
Investments	0	992,946
Non-Depreciable Capital Assets	3,593,440	0
Depreciable Capital Assets, Net	12,000,134	0
Total Assets	28,908,423	1,671,623
Deferred Outflows of Resources:		
Pension:		
OPERS	2,584,704	0
Total Deferred Outflows of Resources	2,584,704	0
Liabilities:		
Accounts Payable	215,780	0
Accrued Wages and Benefits Payable	124,816	0
Intergovernmental Payable	2,457	0
Unearned Revenue	112,118	0
Noncurrent Liabilities:		
Due Within One Year	124,814	0
Due in More Than One Year:		
Net Pension Liability	6,789,915	0
Other Amounts Due in More Than One Year	256,416	0
Total Liabilities	7,626,316	0
Deferred Inflows of Resources:		
Property Tax Levy for Next Fiscal Year	7,004,607	0
Pension:		
OPERS	576,207	0
Total Deferred Inflows of Resources	7,580,814	0

	Governmental Activities	Component Unit Mill Creek Foundation
Net Position:		
Net Investment in Capital Assets	15,593,574	0
Restricted For:		
Capital Projects	701,351	0
Other Purposes	10,032	0
Unrestricted (Deficit)	(18,960)	1,671,623
Total Net Position	$ 16,285,997	$ 1,671,623

See accompanying notes to the basic financial statements

Statement Of Activities
For The Year Ended December 31, 2017

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	$ 2,146,864	$ 0	$ 0	$ 0
Park Operations	4,089,426	752,961	459,671	312,436
Golf Course	2,067,284	910,495	0	0
Law Enforcement	1,385,297	11,789	7,407	0
Total Primary Government	$ 9,688,871	$ 1,675,245	$ 467,078	$ 312,436
Component Unit:				
Mill Creek Foundation	$ 351,616	$ 0	$ 53,303	$ 0

General Revenues:

Property Taxes

Intergovernmental Revenues, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position	Component Unit
Governmental Activities	Mill Creek Foundation
$ (2,146,864)	
(2,564,358)	
(1,156,789)	
(1,366,101)	
$ (7,234,112)	
	$ (298,313)
6,911,338	0
1,301,945	0
50,336	215,282
166,545	0
8,430,164	215,282
1,196,052	(83,031)
15,089,945	1,754,654
$ 16,285,997	$ 1,671,623

Balance Sheet
Governmental Funds
December 31, 2017

	General		Other Governmental Funds		Total Governmental Funds
Assets:					
Pooled Cash and Investments	$	3,973,363	$ 678,439	$	4,651,802
Receivables:					
Property Taxes		7,911,758	0		7,911,758
Accounts		73,012	9,102		82,114
Intergovernmental		598,036	26,842		624,878
Prepaid Items		44,297	0		44,297
Total Assets	$	12,600,466	$ 714,383	$	13,314,849
Liabilities:					
Accounts Payable	$	212,780	$ 3,000	$	215,780
Accrued Wages and Benefits Payable		124,816	0		124,816
Intergovernmental Payable		2,457	0		2,457
Unearned Revenue		112,118	0		112,118
Total Liabilities		452,171	3,000		455,171
Deferred Inflows of Resources:					
Unavailable Amounts		1,305,841	0		1,305,841
Property Tax Levy for Next Fiscal Year		7,004,607	0		7,004,607
Total Deferred Inflows of Resources		8,310,448	0		8,310,448
Fund Balances:					
Nonspendable		44,297	0		44,297
Restricted		185,000	711,383		896,383
Assigned		2,440,737	0		2,440,737
Unassigned		1,167,813	0		1,167,813
Total Fund Balances		3,837,847	711,383		4,549,230
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	12,600,466	$ 714,383	$	13,314,849

See accompanying notes to the basic financial statements

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2017

Total Governmental Fund Balances		$ 4,549,230
Amounts reported for governmental activities in the statement of net position are different because		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		15,593,574
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,305,841
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,584,704	
Deferred Inflows - Pension	(576,207)	
Net Pension Liability	(6,789,915)	(4,781,418)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable		(381,230)
Net Position of Governmental Activities		$ 16,285,997

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	$ 6,846,602	$ 0	$ 6,846,602
Intergovernmental Revenues	1,305,521	77,888	1,383,409
Fines and Forfeitures	9,304	2,485	11,789
Charges for Services	1,663,456	0	1,663,456
Gas Royalties	0	64,350	64,350
Donations	666,129	0	666,129
Investment Earnings	42,569	7,767	50,336
All Other Revenue	102,195	0	102,195
Total Revenues	10,635,776	152,490	10,788,266
Expenditures:			
Current:			
Administration	2,011,920	0	2,011,920
Park Operations	4,142,723	0	4,142,723
Golf Course	2,292,179	0	2,292,179
Law Enforcement	1,258,689	7,112	1,265,801
Capital Outlay	0	169,274	169,274
Total Expenditures	9,705,511	176,386	9,881,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	930,265	(23,896)	906,369
Other Financing Sources (Uses):			
Insurance Proceeds	32,490	0	32,490
Total Other Financing Sources (Uses)	32,490	0	32,490
Net Change in Fund Balance	962,755	(23,896)	938,859
Fund Balances at Beginning of Year	2,875,092	735,279	3,610,371
Fund Balances End of Year	$ 3,837,847	$ 711,383	$ 4,549,230

See accompanying notes to the basic financial statements

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds		$ 938,859
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	1,674,416	
Depreciation Expense	(792,723)	881,693
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		64,167
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		487,362
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,131,795)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated Absences		(44,234)
Change in Net Position of Governmental Activities		$ 1,196,052

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	$ 7,057,496	$ 6,803,456	$ 6,846,602	$ 43,146
Intergovernmental Revenues	1,348,082	1,299,557	1,307,798	8,241
Fines and Forfeitures	11,097	10,697	10,765	68
Charges for Services	1,710,404	1,648,837	1,659,293	10,456
Donations	648,596	625,249	629,214	3,965
Investment Earnings	43,880	42,301	42,569	268
All Other Revenue	107,795	103,915	104,575	660
Total Revenues	10,927,350	10,534,012	10,600,816	66,804
Expenditures:				
Current:				
Administration	2,663,378	2,605,947	2,156,257	449,690
Park Operations	5,944,061	5,815,889	4,879,500	936,389
Golf Course	2,536,201	2,481,513	2,314,526	166,987
Law Enforcement	1,365,904	1,336,451	1,268,754	67,697
Total Expenditures	12,509,544	12,239,800	10,619,037	1,620,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,582,194)	(1,705,788)	(18,221)	1,687,567
Other Financing Sources (Uses):				
Insurance Proceeds	0	0	32,490	32,490
Total Other Financing Sources (Uses):	0	0	32,490	32,490
Net Change in Fund Balance	(1,582,194)	(1,705,788)	14,269	1,720,057
Fund Balance at Beginning of Year	2,713,714	2,713,714	2,713,714	0
Prior Year Encumbrances	86,442	86,442	86,442	0
Fund Balance at End of Year	$ 1,217,962	$ 1,094,368	$ 2,814,425	$ 1,720,057

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The constitution and laws of the State of Ohio Revised Code Section 1545 establish the rights and privileges of the Mill Creek Metropolitan Park District, Mahoning County, (the District) as a body corporate and politic. The probate judge of Mahoning County appoints a five member Board of Commissioners to govern the Park District. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect, and promote the use of these assets conducive to the general welfare.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* and GASB Statement No. 61, *"The Financial Reporting Entity - Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. Based on the foregoing, the District has one component unit, the Mill Creek Foundation.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District. The Mill Creek Foundation was created in March of 1979 and is operated exclusively for charitable and educational purposes, to wit, for the purpose of making capital improvements within the District. The Foundation is a tax exempt trust as determined by 501(c) (3) of the Internal Revenue Code. The Foundation Board includes the Park Board's President, a person selected by the Mahoning County Probate Judge and a member appointed by these two members.

Financial information on the Foundation can be obtained by contacting the Mill Creek Metropolitan Park District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures/expenses.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's only major governmental fund:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes interest on investments and grants and entitlements. Other revenue, including fines, fees, sales, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2017 but which are not intended to finance 2017 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All governmental funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Budgetary modifications may only be made by resolution of the District Board.

1. Tax Budget

The District Treasurer/Administrative Services Director submits an annual tax budget for the following fiscal year to the District Board of Commissioners by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year. This requirement is waived by the County Budget Commission.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the District by September 1 of each year. As part of the certification process, the District receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 through December 31. The appropriation resolution establishes spending controls at object level within each fund, and may be modified during the year by resolution of the District Board of Commissioners. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the fund level. The allocation of appropriations within a fund may be modified with the approval of the District Board of Commissioners. During the year several supplemental appropriations measures were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Balance

	General Fund
GAAP Basis (as reported)	$962,755
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(272,358)
Accrued Revenues at December 31, 2016 received during 2017	241,471
Accrued Expenditures at December 31, 2017 paid during 2018	452,171
Accrued Expenditures at December 31, 2016 paid during 2017	(251,269)
2016 Prepaids for 2017	84,734
2017 Prepaids for 2018	(44,297)
Outstanding Encumbrances	(1,158,938)
Budget Basis	$14,269

F. Cash and Investments

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The amounts in STAR Ohio are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The District allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72, *"Fair Value Measurement and Application,"* the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 4, "Cash, Cash Equivalents and Investments."

The District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the District. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than $2,500.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, land improvements, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets, other than land and construction in progress, are depreciated. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in Years)
Land Improvements	15 - 40
Buildings and Improvements	15 - 50
Infrastructure	10 - 30
Machinery and Equipment	5 - 15

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long-term liabilities are being repaid from the following fund:

Obligation	Fund
Compensated Absences	General Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences,"* vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

For purposes 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 pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. For the District, these constraints consist of ordinances passed by the District Board of Commissioners. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the District, deferred outflows of resources are reported for pension amounts on the government-wide statement of net position. See Note 8.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. See Note 8.

Q. <u>Prepaid Items</u>

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2017, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14," Statement No. 81, "Irrevocable Split-Interest Agreements," and Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73."

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments.

GASB Statement No. 81 addresses irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.

These changes were incorporated in the District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Items	$44,297	$0	$44,297
Total Nonspendable	44,297	0	44,297
Restricted:			
Capital Improvements	185,000	701,351	886,351
Law Enforcement	0	10,032	10,032
Total Restricted	185,000	711,383	896,383
Assigned:			
Budget Resource	1,480,333	0	1,480,333
Encumbrances	960,404	0	960,404
Total Assigned	2,440,737	0	2,440,737
Unassigned	1,167,813	0	1,167,813
Total Fund Balances	$3,837,847	$711,383	$4,549,230

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NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories.

Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the District's deposits was $3,190,468 and the bank balance was $3,441,100. The Federal Deposit Insurance Corporation (FDIC) covered $1,133,747 of the bank balance, and $2,307,353 was uninsured and was collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The District's investments at December 31, 2017 are summarized below:

			Investment Maturities (in Years)		
	Fair Value[2]	Credit Rating	less than 1	1-3	3-5
STAR Ohio	$1,461,334	AAAm [1]	$1,461,334	$0	$0
Total Investments	$1,461,334		$1,461,334	$0	$0

[1] Standard & Poor's
[2] Reported at amortized cost

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The District has no policy that limits investment purchases beyond the requirements of the Ohio Revised Code.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

C. Component Unit

The Mill Creek Foundation's investments at December 31, 2017 were as follows:

			Investment Maturities (in Years)	
	Fair Value	Credit Rating	1-3 years	3-5 years
US Money Market	$134,789	AA+[1]	$134,789	$0
Bond Mutual Funds	634,904	NA	634,904	0
Equity Mutual Funds	900,768	NA	900,768	0
Total Investments	$1,670,461		$1,670,461	$0

[1] Standard & Poor's

NOTE 5- PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the District. Real property taxes (other than public utility) collected during 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2017. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the Mill Creek Metropolitan Park District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended December 31, 2017 was $2.00 per $1,000 of assessed value. The assessed value upon which the 2017 levy was based was $4,186,310,990. This amount constitutes $3,908,884,710 in real property assessed value and $277,426,280 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the District's share is .20% (2.00 mills) of assessed value.

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NOTE 6 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, accounts and intergovernmental receivables.

NOTE 7 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2017:

Historical Cost:

Class	2016*	Additions	Deletions	2017
Capital assets not being depreciated:				
Land	$3,580,807	$12,633	$0	$3,593,440
Capital assets being depreciated:				
Land Improvements	2,688,249	630,366	0	3,318,615
Buildings and Improvements	15,740,271	211,031	0	15,951,302
Infrastructure	8,868,081	444,897	0	9,312,978
Machinery and Equipment	4,573,554	375,489	0	4,949,043
Total Cost	$35,450,962	$1,674,416	$0	$37,125,378

Accumulated Depreciation:

Class	2016*	Additions	Deletions	2017
Land Improvements	($1,429,900)	($107,597)	$0	($1,537,497)
Buildings and Improvements	(8,998,136)	(338,088)	0	(9,336,224)
Infrastructure	(6,722,642)	(228,581)	0	(6,951,223)
Machinery and Equipment	(3,588,403)	(118,457)	0	(3,706,860)
Total Depreciation	($20,739,081)	($792,723) **	$0	($21,531,804)
Net Value:	$14,711,881			$15,593,574

* Prior year balances were reclassified between capital asset categories.

** Depreciation expenses were charged to governmental functions as follows:

Park Operations	$701,490
Golf Course	75,058
Law Enforcement	16,175
Total Depreciation Expense	$792,723

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Law Enforcement
2017 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	*
2017 Actual Contribution Rates		
Employer:		
Pension	13.0 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

* This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $487,362 for 2017. Of this amount, $40,247 is reported as an intergovernmental payable.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS 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. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$6,789,915
Proportion of the Net Pension Liability-2017	0.029901%
Proportion of the Net Pension Liability-2016	0.034535%
Percentage Change	(0.004634%)
Pension Expense	$1,131,795

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

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$1,011,176
Differences between expected and actual experience	9,203
Changes of assumptions	1,076,963
District contributions subsequent to the measurement date	487,362
Total Deferred Outflows of Resources	$2,584,704
Deferred Inflows of Resources	
Differences between expected and actual experience	$40,410
Change in Proportionate Share	535,797
Total Deferred Inflows of Resources	$576,207

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

$487,362 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

		OPERS
Year Ending December 31:		
	2018	$537,905
	2019	669,573
	2020	343,296
	2021	(29,639)
Total		$1,521,135

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$10,373,110	$6,789,915	$3,803,952

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. <u>Ohio Public Employees Retirement System ("OPERS")</u>

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System ("OPERS") (Continued)

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed at a rate of 14.00% of covered payroll for all employees other than law enforcement and 18.10% for law enforcement employees, which was equal to the limits currently set by the ORC. Active members do not make contributions to the OPEB plan.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The District's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were $37,394, $77,254 and $86,883, respectively, which were equal to the required contributions for each year.

NOTE 10 - LONG-TERM OBLIGATIONS

Detail of the changes in long-term obligations of the District for the year ended December 31, 2017 is as follows:

	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Amount Due Within One Year
Governmental Activities:					
Compensated Absences	$336,996	$132,425	($88,191)	$381,230	$124,814
Net Pension Liability:					
Ohio Public Employees Retirement System	5,981,919	807,996	0	6,789,915	0
Total Long-Term Obligations	$6,318,915	$940,421	($88,191)	$7,171,145	$124,814

NOTE 11 -RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

<u>Casualty and Property Coverage</u>
APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016 (the most current information available), PEP retained $350,000 for casualty claims and $100,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

NOTE 11 -RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015 (the most current information available):

	2015	2016
Assets	$38,307,677	$42,182,281
Liabilities	(12,759,127)	(13,396,700)
Net Position	$25,548,550	$28,785,581

At December 31, 2015 and 2016, respectively, the liabilities above include approximately $11.5 million and $12.0 million of estimated incurred claims payable. The assets above also include approximately $11.0 million and $11.5 million of unpaid claims to be billed. The Pool's membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the District's share of these unpaid claims collectible in future years is approximately $142,857 (the most current information available).

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2015	$225,437
2016	$226,757

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 11 -RISK MANAGEMENT (Continued)

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' Compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 12 -CONTINGENT LIABILITIES

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2017.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of District's Proportionate Share of the Net Pension Liability
Last Four Years

Ohio Public Employees Retirement System

Fiscal Year	2014	2015	2016	2017
District's proportion of the net pension liability (asset)	0.037853%	0.037853%	0.034535%	0.029901%
District's proportionate share of the net pension liability (asset)	$4,462,376	$4,565,496	$5,981,919	$6,789,915
District's covered-employee payroll	$4,807,438	$4,706,217	$4,331,808	$3,885,275
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.82%	97.01%	138.09%	174.76%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.
The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

Schedule of District Contributions
Last Five Years

Ohio Public Employees Retirement System

Fiscal Year	2013	2014	2015	2016	2017
Contractually required contribution	$624,967	$564,746	$519,817	$466,233	$487,362
Contributions in relation to the contractually required contribution	624,967	564,746	519,817	466,233	487,362
Contribution deficiency (excess)	$0	$0	$0	$0	$0
District's covered-employee payroll	$4,807,438	$4,706,217	$4,331,808	$3,885,275	$3,748,938
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

Source: Treasurer and the Ohio Public Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2016

The discussion and analysis of the Mill Creek Metropolitan Park District's (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position increased $399,997, which represents a 3% increase from 2015.
- General revenues accounted for $6,931,963 in revenue or 74% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $2,436,752 or 26% of total revenues of $9,368,715.
- The District had $8,968,718 in expenses related to governmental activities; only $2,436,752 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and unrestricted intergovernmental revenues) of $6,931,963 were adequate to provide for these programs.
- Among major funds, the general fund had $8,954,636 in revenues and $8,148,811 in expenditures. The general fund's fund balance increased $808,835 to $2,875,092.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis and* the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net-position is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating.

- To assess the overall health of the District you need to consider additional nonfinancial factors such as the District's tax base and the condition of the District's capital assets.

The government-wide financial statements of the District are reported in the following category:

- <u>Governmental Activities</u> – All of the District's basic services are reported here, including administration, park operations, golf course operations and law enforcement. State and federal grants, property taxes and user fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2016

Government-Wide Financial Analysis

The following table provides a comparison of the District's net position at December 31, 2016 and 2015:

	Governmental Activities	
	2016	2015
Current and Other Assets	$12,085,330	$10,956,819
Capital Assets, Net	14,711,881	14,351,238
Total Assets	26,797,211	25,308,057
Deferred Outflows of Resources	2,224,543	763,418
Net Pension Liability	5,981,919	4,565,496
Long-Term Liabilities	336,996	399,809
Other Liabilities	251,934	433,236
Total Liabilities	6,570,849	5,398,541
Deferred Inflows of Resources	7,360,960	5,982,986
Net Position		
Net Investment in Capital Assets	14,711,881	14,351,238
Restricted	735,279	1,208,600
Unrestricted	(357,215)	(869,890)
Total Net Position	$15,089,945	$14,689,948

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2016

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2016

Changes in Net Position – The following table provides the changes in net position for fiscal years 2016 and 2015:

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services and Sales	$1,718,481	$1,697,234
Operating Grants and Contributions	243,579	240,845
Capital Grants and Contributions	474,692	577,028
Total Program Revenues	2,436,752	2,515,107
General Revenues:		
Property Taxes	5,574,772	5,729,485
Intergovernmental Revenue, Unrestricted	1,193,855	1,211,282
Investment Earnings	20,745	16,522
Miscellaneous	142,591	312,808
Total General Revenues	6,931,963	7,270,097
Total Revenues	9,368,715	9,785,204
Program Expenses		
Administration	1,882,266	1,589,287
Park Operations	4,584,234	5,711,679
Golf Course	1,250,445	1,094,819
Law Enforcement	1,251,773	935,863
Total Expenses	8,968,718	9,331,648
Change in Net Position	399,997	453,556
Beginning Net Position	14,689,948	14,236,392
Ending Net Position	$15,089,945	$14,689,948

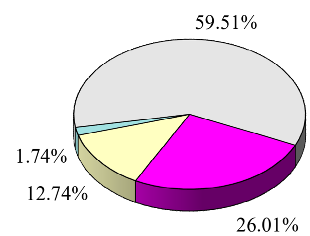
Governmental Activities

Net position of governmental activities increased $399,997, or 3% during 2016. A decrease in revenues can be attributed to a decrease in outstanding delinquent taxes as well as miscellaneous reimbursements. The decrease in expenses can be attributed to a reduction in overall costs in Park Operations.

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2016

Property taxes made up 60% of revenues for the District in fiscal year 2016. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2016	Percent of Total
Property Taxes	$5,574,772	59.51%
Program Revenues	2,436,752	26.01%
Intergovernmental, Unrestricted	1,193,855	12.74%
General Other	163,336	1.74%
Total Revenue	$9,368,715	100.00%



The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, original budgeted, final budgeted and actual budget basis revenues were not materially different. Original and final budgeted appropriations were not materially different. Actual budget basis expenditures were 16% less than final budget appropriations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of $3,610,371, which is an increase from last year's balance of $3,164,150. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	$2,875,092	$2,066,257	$808,835
Replacement Reserve	725,020	1,090,811	(365,791)
Other Governmental	10,259	7,082	3,177
Total	$3,610,371	$3,164,150	$446,221

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2016

General Fund – The District's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2016 Revenues	2015 Revenues	Increase (Decrease)
Property Taxes	$5,788,654	$5,739,542	$49,112
Intergovernmental Revenues	1,197,775	1,194,118	3,657
Fines and Forfeitures	8,587	13,908	(5,321)
Charges for Services	1,707,717	1,683,131	24,586
Donations	136,556	109,014	27,542
Investment Earnings	17,140	15,604	1,536
All Other Revenue	98,207	282,235	(184,028)
Total	$8,954,636	$9,037,552	($82,916)

General Fund revenues remained stable in 2016, decreasing less than 1% when compared to revenues in 2015.

	2016 Expenditures	2015 Expenditures	Increase (Decrease)
Administration	$1,939,485	$1,581,999	$357,486
Park Operations	3,591,706	5,009,400	(1,417,694)
Golf Course	1,320,889	1,021,190	299,699
Law Enforcement	1,296,731	926,444	370,287
Total	$8,148,811	$8,539,033	($390,222)

General Fund expenditures decreased $390,222, or 5% when compared with the previous year. This decrease can be attributed to a reduction in overall costs in Park Operations.

Replacement Reserve Fund – The Replacement Reserve Fund reported a decrease in fund balance of $365,791, or 34%. In 2016, grants were received for improvements to Lily Pond as well as the acquisition of land.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2016 the District had $14,711,881 net of accumulated depreciation invested in land, land improvements, buildings and improvements, machinery and equipment, and infrastructure. The following table shows fiscal year 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	$3,580,807	$3,580,807	$0
Construction In Progress	0	93,984	(93,984)
Land Improvements	2,668,876	2,368,594	300,282
Buildings and Improvements	15,680,026	15,550,824	129,202
Infrastructure	8,773,549	8,303,633	469,916
Machinery and Equipment	4,747,704	4,402,987	344,717
Less: Accumulated Depreciation	(20,739,081)	(19,949,591)	(789,490)
Totals	$14,711,881	$14,351,238	$360,643

Land improvements consisted mostly of improvements at Lily Pond. Infrastructure additions were comprised of equestrian trail construction as well as a bikeway improvement project. Machinery and equipment additions included golf course maintenance equipment as well as vehicle purchases for law enforcement and general park operations.

Additional information on the District's capital assets can be found in Note 7.

Debt

The following table summarizes the District's noncurrent liabilities outstanding as of December 31, 2016 and 2015:

	2016	2015
Governmental Activities:		
Compensated Absences	$336,996	$399,809
Net Pension Liability	5,981,919	4,565,496
Total Governmental Activities	$6,318,915	$4,965,305

Additional information on the District's long term liabilities can be found in Note 10.

ECONOMIC FACTORS

In November 2015 voters approved a 15 year 1.75 mill renewal levy, paired with an additional 0.25 mills. The increased tax revenue resulting from the additional 0.25 mills will be collected beginning in fiscal year 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kevin Smith, Finance Director/Treasurer, Mill Creek Metropolitan Park District, 7574 Columbiana-Canfield Road, P.O. Box 596, Canfield, Ohio 44406, or by calling 330-702-3000.

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Statement of Net Position
December 31, 2016

	Governmental Activities	Component Unit Mill Creek Foundation
Assets:		
Pooled Cash and Investments	$ 3,510,369	$ 0
Cash and Cash Equivalents	0	1,000
Investments	0	847,881
Receivables:		
Property Taxes	7,823,766	0
Accounts	65,579	0
Intergovernmental	600,882	0
Prepaid Items	84,734	1,816
Restricted Assets:		
Investments	0	903,957
Non-Depreciable Capital Assets	3,580,807	0
Depreciable Capital Assets, Net	11,131,074	0
Total Assets	26,797,211	1,754,654
Deferred Outflows of Resources:		
Pension:		
OPERS	2,224,543	0
Total Deferred Outflows of Resources	2,224,543	0
Liabilities:		
Accounts Payable	15,283	0
Accrued Wages and Benefits Payable	118,882	0
Intergovernmental Payable	1,578	0
Unearned Revenue	116,191	0
Noncurrent Liabilities:		
Due Within One Year	88,191	0
Due in More Than One Year:		
Net Pension Liability	5,981,919	0
Other Amounts Due in More Than One Year	248,805	0
Total Liabilities	6,570,849	0
Deferred Inflows of Resources:		
Property Tax Levy for Next Fiscal Year	6,981,351	0
Pension:		
OPERS	379,609	0
Total Deferred Inflows of Resources	7,360,960	0

	Governmental Activities	Component Unit Mill Creek Foundation
Net Position:		
Investment in Capital Assets	14,711,881	0
Restricted For:		
Capital Projects	725,020	0
Other Purposes	10,259	0
Unrestricted (Deficit)	(357,215)	1,754,654
Total Net Position	$ 15,089,945	$ 1,754,654

See accompanying notes to the basic financial statements

Statement Of Activities
For The Year Ended December 31, 2016

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	$ 1,882,266	$ 0	$ 0	$ 0
Park Operations	4,584,234	751,744	236,316	474,692
Golf Course	1,250,445	955,973	0	0
Law Enforcement	1,251,773	10,764	7,263	0
Total Primary Government	$ 8,968,718	$ 1,718,481	$ 243,579	$ 474,692
Component Unit:				
Mill Creek Foundation	$ 30,775	$ 0	$ 40,402	$ 0

General Revenues:

Property Taxes

Intergovernmental Revenues, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position	Component Unit
Governmental Activities	Mill Creek Foundation
$ (1,882,266)	
(3,121,482)	
(294,472)	
(1,233,746)	
$ (6,531,966)	
	$ 9,627
5,574,772	0
1,193,855	0
20,745	90,151
142,591	82
6,931,963	90,233
399,997	99,860
14,689,948	1,654,794
$ 15,089,945	$ 1,754,654

Balance Sheet
Governmental Funds
December 31, 2016

	General	Replacement Reserve	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	$ 2,800,156	$ 699,954	$ 10,259	$ 3,510,369
Receivables:				
Property Taxes	7,823,766	0	0	7,823,766
Accounts	39,848	25,731	0	65,579
Intergovernmental	600,882	0	0	600,882
Prepaid Items	84,734	0	0	84,734
Total Assets	$ 11,349,386	$ 725,685	$ 10,259	$ 12,085,330
Liabilities:				
Accounts Payable	$ 14,618	$ 665	$ 0	$ 15,283
Accrued Wages and Benefits Payable	118,882	0	0	118,882
Intergovernmental Payable	1,578	0	0	1,578
Unearned Revenue	116,191	0	0	116,191
Total Liabilities	251,269	665	0	251,934
Deferred Inflows of Resources:				
Unavailable Amounts	1,241,674	0	0	1,241,674
Property Tax Levy for Next Fiscal Year	6,981,351	0	0	6,981,351
Total Deferred Inflows of Resources	8,223,025	0	0	8,223,025
Fund Balances:				
Nonspendable	84,734	0	0	84,734
Restricted	0	725,020	10,259	735,279
Assigned	1,199,556	0	0	1,199,556
Unassigned	1,590,802	0	0	1,590,802
Total Fund Balances	2,875,092	725,020	10,259	3,610,371
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,349,386	$ 725,685	$ 10,259	$ 12,085,330

See accompanying notes to the basic financial statements

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2016

Total Governmental Fund Balances		$	3,610,371
Amounts reported for governmental activities in the statement of net position are different because			
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.			14,711,881
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			1,241,674
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred Outflows - Pension	2,224,543		
Deferred Inflows - Pension	(379,609)		
Net Pension Liability	(5,981,919)		(4,136,985)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated Absences Payable			(336,996)
Net Position of Governmental Activities		$	15,089,945

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Replacement Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$ 5,788,654	$ 0	$ 0	$ 5,788,654
Intergovernmental Revenues	1,197,775	474,692	1,000	1,673,467
Fines and Forfeitures	8,587	0	2,177	10,764
Charges for Services	1,707,717	0	0	1,707,717
Gas Royalties	0	23,270	0	23,270
Donations	136,556	0	0	136,556
Investment Earnings	17,140	3,605	0	20,745
All Other Revenue	98,207	21,114	0	119,321
Total Revenues	8,954,636	522,681	3,177	9,480,494
Expenditures:				
Current:				
Administration	1,939,485	0	0	1,939,485
Park Operations	3,591,706	0	0	3,591,706
Golf Course	1,320,889	0	0	1,320,889
Law Enforcement	1,296,731	0	0	1,296,731
Capital Outlay	0	985,222	0	985,222
Total Expenditures	8,148,811	985,222	0	9,134,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	805,825	(462,541)	3,177	346,461
Other Financing Sources (Uses):				
Insurance Proceeds	3,010	96,750	0	99,760
Total Other Financing Sources (Uses)	3,010	96,750	0	99,760
Net Change in Fund Balance	808,835	(365,791)	3,177	446,221
Fund Balances at Beginning of Year	2,066,257	1,090,811	7,082	3,164,150
Fund Balances End of Year	$ 2,875,092	$ 725,020	$ 10,259	$ 3,610,371

See accompanying notes to the basic financial statements

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds		$	446,221
Amounts reported for governmental activities in the statement of activities are different because			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital Outlay	1,150,133		
Depreciation Expense	(789,490)		360,643
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(211,539)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.			466,233
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(720,934)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Compensated Absences			59,373
Change in Net Position of Governmental Activities		$	399,997

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	$ 5,770,609	$ 5,907,023	$ 6,214,927	$ 307,904
Intergovernmental Revenues	1,153,776	1,181,051	1,180,079	(972)
Fines and Forfeitures	9,769	10,000	8,776	(1,224)
Charges for Services	1,697,988	1,738,128	1,716,409	(21,719)
Donations	39,076	40,000	103,852	63,852
Investment Earnings	121,136	124,000	17,140	(106,860)
All Other Revenue	271,456	277,873	126,113	(151,760)
Total Revenues	9,063,810	9,278,075	9,367,296	89,221
Expenditures:				
Current:				
Administration	2,353,000	2,359,145	1,987,692	371,453
Park Operations	4,741,831	4,754,213	3,780,849	973,364
Golf Course	1,458,833	1,462,642	1,332,705	129,937
Law Enforcement	1,398,174	1,401,825	1,310,535	91,290
Total Expenditures	9,951,838	9,977,825	8,411,781	1,566,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	(888,028)	(699,750)	955,515	1,655,265
Other Financing Sources (Uses):				
Insurance Proceeds	30,000	30,000	3,010	(26,990)
Total Other Financing Sources (Uses):	30,000	30,000	3,010	(26,990)
Net Change in Fund Balance	(858,028)	(669,750)	958,525	1,628,275
Fund Balance at Beginning of Year	1,262,411	1,262,411	1,262,411	0
Prior Year Encumbrances	492,778	492,778	492,778	0
Fund Balance at End of Year	$ 897,161	$ 1,085,439	$ 2,713,714	$ 1,628,275

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The constitution and laws of the State of Ohio Revised Code Section 1545 establish the rights and privileges of the Mill Creek Metropolitan Park District, Mahoning County, (the District) as a body corporate and politic. The probate judge of Mahoning County appoints a five member Board of Commissioners to govern the Park District. The Commissioners are authorized to acquire, develop, protect, maintain, and improve park lands and facilities. The Commissioners may convert acquired land into forest reserves. The Commissioners are also responsible for activities related to conserving natural resources, including streams, lakes, submerged lands, and swamp lands. The Board may also create parks, parkways, and other reservations and may afforest, develop, improve and protect, and promote the use of these assets conducive to the general welfare.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* and GASB Statement No. 61, *"The Financial Reporting Entity - Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. Based on the foregoing, the District has one component unit, the Mill Creek Foundation.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the District's component unit. It is reported in a separate column to emphasize that it is legally separate from the District. The Mill Creek Foundation was created in March of 1979 and is operated exclusively for charitable and educational purposes, to wit, for the purpose of making capital improvements within the District. The Foundation is a tax exempt trust as determined by 501(c) (3) of the Internal Revenue Code. The Foundation Board includes the Park Board's President, a person selected by the Mahoning County Probate Judge and a member appointed by these two members.

Financial information on the Foundation can be obtained by contacting the Mill Creek Metropolitan Park District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures/expenses.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Replacement Reserve Fund - The Replacement Reserve Fund is used to account for royalties generated by oil and gas leases and investment income restricted to be used for capital improvements.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes interest on investments and grants and entitlements. Other revenue, including fines, fees, sales, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2016 but which are not intended to finance 2016 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All governmental funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Budgetary modifications may only be made by resolution of the District Board.

1. Tax Budget

The District Treasurer/Administrative Services Director submits an annual tax budget for the following fiscal year to the District Board of Commissioners by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year. This requirement is waived by the County Budget Commission.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the District by September 1 of each year. As part of the certification process, the District receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 through December 31. The appropriation resolution establishes spending controls at object level within each fund, and may be modified during the year by resolution of the District Board of Commissioners. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level within each fund. The allocation of appropriations within a fund may be modified with the approval of the District Board of Commissioners. During the year several supplemental appropriations measures were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Balance

	General Fund
GAAP Basis (as reported)	$808,835
Increase (Decrease):	
Accrued Revenues at December 31, 2016 received during 2017	(241,471)
Accrued Revenues at December 31, 2015 received during 2016	648,125
Accrued Expenditures at December 31, 2016 paid during 2017	251,269
Accrued Expenditures at December 31, 2015 paid during 2016	(337,057)
2016 Prepaids for 2017	(84,734)
Outstanding Encumbrances	(86,442)
Budget Basis	$958,525

F. Cash and Investments

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The amounts in STAR Ohio are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the District records all its investments at fair value. See Note 4, "Cash, Cash Equivalents and Investments."

The District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the District. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

H. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than $2,500.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, land improvements, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets, other than land and construction in progress, are depreciated. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in Years)
Land Improvements	15 - 40
Buildings and Improvements	15 - 50
Infrastructure	10 - 30
Machinery and Equipment	5 - 15

I. Long-Term Obligations

Long-term liabilities are being repaid from the following fund:

Obligation	Fund
Compensated Absences	General Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences,"* vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

K. Pensions

For purposes 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 pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. For the District, these constraints consist of ordinances passed by the District Board of Commissioners. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the District, deferred outflows of resources are reported for pension amounts on the government-wide statement of net position. See Note 8.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. See Note 8.

Q. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” and GASB Statement No. 77 “Tax Abatement Disclosures.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the District’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the District’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Replacement Reserve	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	$84,734	$0	$0	$84,734
Total Nonspendable	84,734	0	0	84,734
Restricted:				
Capital Improvements	$0	$725,020	$0	$725,020
Law Enforcement	0	0	10,259	10,259
Total Restricted	0	725,020	10,259	735,279
Assigned:				
Budget Resource	1,115,340		0	1,115,340
Encumbrances	84,216	0	0	84,216
Total Assigned	1,199,556	0	0	1,199,556
Unassigned	1,590,802	0	0	1,590,802
Total Fund Balances	$2,875,092	$725,020	$10,259	$3,610,371

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories.

Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was $1,614,849 and the bank balance was $1,810,930. The Federal Deposit Insurance Corporation (FDIC) covered $500,000 of the bank balance, and $1,310,930 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	Balance
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	$1,310,930
Total Balance	$1,310,930

B. Investments

The District's investments at December 31, 2016 are summarized below:

			Investment Maturities (in Years)		
	Fair Value	Credit Rating	less than 1	1-3	3-5
STAR Ohio	$1,895,520	AAAm [1]	$1,895,520	$0	$0
Total Investments	$1,895,520		$1,895,520	$0	$0

[1] Standard & Poor's

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The District has no policy that limits investment purchases beyond the requirements of the Ohio Revised Code.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

C. Component Unit

In addition to the following investments, the Mill Creek Foundation had $1,000 in cash on hand at December 31, 2016.

The Mill Creek Foundation's investments at December 31, 2016 were as follows:

			Investment Maturities (in Years)	
	Fair Value	Credit Rating	1-3 years	3-5 years
US Money Market	$221,026	AA+[1]	$221,026	$0
Bond Mutual Funds	682,409	NA	682,409	0
Equity Mutual Funds	848,403	NA	848,403	0
Total Investments	$1,751,838		$1,751,838	$0

[1] Standard & Poor's

NOTE 5- PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the District. Real property taxes (other than public utility) collected during 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the Mill Creek Metropolitan Park District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended December 31, 2016 was $1.75 per $1,000 of assessed value. The assessed value upon which the 2016 levy was based was $4,108,549,590. This amount constitutes $3,851,134,290 in real property assessed value and $257,415,300 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the District's share is .175% (1.75 mills) of assessed value.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, accounts and intergovernmental receivables.

NOTE 7 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at December 31, 2016:

Historical Cost:

Class	2015	Additions	Deletions	2016
Capital assets not being depreciated:				
Land	$3,580,807	$0	$0	$3,580,807
Construction in Progress	93,984	0	(93,984)	0
Subtotal	3,674,791	0	(93,984)	3,580,807
Capital assets being depreciated:				
Land Improvements	2,368,594	300,282	0	2,668,876
Buildings and Improvements	15,550,824	129,202	0	15,680,026
Infrastructure	8,303,633	469,916	0	8,773,549
Machinery and Equipment	4,402,987	344,717	0	4,747,704
Total Cost	$34,300,829	$1,244,117	($93,984)	$35,450,962

Accumulated Depreciation:

Class	2015	Additions	Deletions	2016
Land Improvements	($1,344,777)	($84,319)	$0	($1,429,096)
Buildings and Improvements	(8,665,721)	(333,091)	0	(8,998,812)
Infrastructure	(6,461,261)	(257,671)	0	(6,718,932)
Machinery and Equipment	(3,477,832)	(114,409)	0	(3,592,241)
Total Depreciation	($19,949,591)	($789,490) *	$0	($20,739,081)
Net Value:	$14,351,238			$14,711,881

* Depreciation expenses were charged to governmental functions as follows:

Park Operations	$710,525
Golf Course	67,067
Law Enforcement	11,898
Total Depreciation Expense	$789,490

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - District employees participate in the 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Law Enforcement
2016 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	*
2016 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

* This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $466,233 for 2016. Of this amount, $38,517 is reported as an intergovernmental payable.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate Share of the Net Pension Liability	$5,981,919
Proportion of the Net Pension Liability-2016	0.034535%
Proportion of the Net Pension Liability-2015	0.037853%
Percentage Change	(0.003318%)
Pension Expense	$720,934

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

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$1,758,310
District contributions subsequent to the measurement date	466,233
Total Deferred Outflows of Resources	$2,224,543
Deferred Inflows of Resources	
Differences between expected and actual experience	$115,582
Change in Proportionate Share	264,027
Total Deferred Inflows of Resources	$379,609

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

$466,233 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS
Year Ending December 31:	
2017	$262,737
2018	290,852
2019	427,205
2020	397,907
Total	$1,378,701

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	$9,530,658	$5,981,919	$2,988,669

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. <u>Ohio Public Employees Retirement System ("OPERS")</u>

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System ("OPERS") (Continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The ORC 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 ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, local government employers contributed at a rate of 14.00% of covered payroll for all employees other than law enforcement and 18.10% for law enforcement employees, which was equal to the limits currently set by the ORC. Active members do not make contributions to the OPEB plan.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The District's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were $77,254, $86,883 and $91,940, respectively, which were equal to the required contributions for each year.

NOTE 10 - LONG-TERM OBLIGATIONS

Detail of the changes in long-term obligations of the District for the year ended December 31, 2016 is as follows:

	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Amount Due Within One Year
Governmental Activities:					
Compensated Absences	$399,809	$61,140	($123,953)	$336,996	$88,191
Net Pension Liability:					
Ohio Public Employees Retirement System	4,565,496	1,416,423	0	5,981,919	0
Total Long-Term Obligations	$4,965,305	$1,477,563	($123,953)	$6,318,915	$88,191

NOTE 11 -RISK MANAGEMENT

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015 (the most current information available), PEP retained $350,000 for casualty claims and $100,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

NOTE 11 -RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015 and 2014 (the most current information available):

	2014	2015
Assets	$35,402,177	$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	$23,038,920	$25,548,550

At December 31, 2014 and 2015, respectively, the liabilities above include approximately $11.1 million and $11.5 million of estimated incurred claims payable. The assets above also include approximately $10.8 million and $11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the District's share of these unpaid claims collectible in future years is approximately $142,025.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2014	$218,781
2015	$225,437

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 11 -RISK MANAGEMENT (Continued)

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' Compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 12 -CONTINGENT LIABILITIES

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at December 31, 2016.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of District's Proportionate Share of the Net Pension Liability
Last Three Years

Ohio Public Employees Retirement System

Fiscal Year	2014	2015	2016
District's proportion of the net pension liability (asset)	0.037853%	0.037853%	0.034535%
District's proportionate share of the net pension liability (asset)	$4,462,376	$4,565,496	$5,981,919
District's covered-employee payroll	$4,807,438	$4,706,217	$4,331,808
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.82%	97.01%	138.09%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Treasurer and the Ohio Public Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.
The schedule is reported as of the measurement date of the Net Pension Liability.

Schedule of District Contributions
Last Four Years

Ohio Public Employees Retirement System

Fiscal Year	2013	2014	2015	2016
Contractually required contribution	$624,967	$564,746	$519,817	$466,233
Contributions in relation to the contractually required contribution	624,967	564,746	519,817	466,233
Contribution deficiency (excess)	$0	$0	$0	$0
District's covered-employee payroll	$4,807,438	$4,706,217	$4,331,808	$3,885,275
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: Treasurer and the Ohio Public Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mill Creek Metropolitan Park District
Mahoning County
7574 Columbiana-Canfield Road
P.O. Box 596
Canfield, Ohio 44406

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mill Creek Metropolitan Park District, Mahoning County, (the Park District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated November 1, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Park District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Park District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Park District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Park District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Park District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Park District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

November 1, 2018

MILL CREEK METROPOLITAN PARK DISTRICT
MAHONING COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	The District included Interfund Loan Receivable/Payable on the Balance Sheet when this amount was converted to a transfer in 2014. As such, no Interfund Loan Receivable/Payable should have been reported	Fully Corrected	

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MILL CREEK METROPOLITAN PARK DISTRICT

MAHONING 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
DECEMBER 6, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
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