



Washington State Auditor's Office

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Financial Statements Audit Report

Metropolitan Park District of Tacoma

Pierce County

For the period January 1, 2014 through December 31, 2014

Published July 27, 2015

Report No. 1014565





Washington State Auditor's Office

July 27, 2015

Board of Commissioners
Metropolitan Park District of Tacoma
Tacoma, Washington

Report on Financial Statements

Please find attached our report on the Metropolitan Park District of Tacoma's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Metropolitan Park District of Tacoma
Pierce County
January 1, 2014 through December 31, 2014**

Board of Commissioners
Metropolitan Park District of Tacoma
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 20, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency,

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

July 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Metropolitan Park District of Tacoma Pierce County January 1, 2014 through December 31, 2014

Board of Commissioners
Metropolitan Park District of Tacoma
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

July 20, 2015

FINANCIAL SECTION

**Metropolitan Park District of Tacoma
Pierce County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental
Funds – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and
Actual – General Fund – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
– 2014

Statement of Cash Flows – Proprietary Funds – 2014

Notes to the Financial Statements – 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Metropolitan Park District of Tacoma (Metro Parks) presents this narrative overview and analysis of the financial activities of Metro Parks during the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and with the accompanying financial statements and notes.

FINANCIAL HIGHLIGHTS

- At the end of 2014 the assets and deferred outflows of resources of Metro Parks exceeded its liabilities by \$102.3 million, a decrease of \$.5 million. Net investment in capital assets (net of depreciation and related debt) account for 88.5% of this amount (\$90.5 million). A total of 3.4% (\$3.5 million) is currently restricted for construction projects and debt service. The amount available to meet Metro Parks' ongoing obligations to citizens and creditors is \$8.4 million (the unrestricted amount).
- District-wide revenues were \$54.4 million (up \$1.5 million) while expenses were \$54.9 million (up \$2.4 million). This resulted in a slightly less favorable position at the end of 2014 than at the end of the prior year.
- At the close of 2014, Metro Parks' governmental funds reported a combined ending Fund Balance of \$48.4 million, an increase of \$33.2 million from 2013. The major factor in the increase was \$35.5 million of debt proceeds which are not reported on the governmental funds balance sheet. When looking at Net Position (which includes capital assets and long term debt) the governmental funds show a net decrease of \$1.1 million.
- At the close of 2014, Metro Parks' business-type activities reported a combined ending net position of \$37.8 million. This represents an increase of \$591,195 from 2013, primarily due to increased revenue from operations.
- During 2012, Metro Parks implemented the Governmental Accounting Standards Board (GASB) Statement 63 which required changes in reporting fund equity and certain deferred inflows and outflows. The term "net position" replaced "net assets" on government-wide and proprietary fund statements. Additionally, deferred charges on refunding are now reported on the Statement of Net Position under the deferred outflows of resources category. This balance was \$2,686,897 at the end of 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Metro Parks' basic financial statements which comprises three components – government-wide financial statements; fund financial statements; and notes to the financial statements.

In addition to these basic financial statements, we have included a section with combining statements that provides details about our nonmajor governmental funds. Nonmajor funds are added together and presented in a single column in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements are designed to provide readers with a broad overview of Metro Parks as a whole using accounting methods similar to those used by private-sector companies. There are two government-wide statements – the Statement of Net Position and the Statement of Activities. The two government-wide statements report Metro Parks' net position and how it has changed.

The STATEMENT OF NET POSITION includes all of the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of Metro Parks with the differences between the two reported as net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Net position is one way to measure Metro Parks' financial health. Over time, increases or decreases in net position may indicate whether Metro Parks' financial position is improving or deteriorating. Additional factors the reader must consider in order to adequately assess Metro Parks' overall financial health include changes in its property and sales tax base, and the condition of its assets.

The STATEMENT OF ACTIVITIES presents information showing changes in the net position of Metro Parks during the most recent fiscal year. Thus, revenues and expenses are reported in this statement for some items that will actually result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation leave). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various Metro Parks activities and the degree to which activities are subsidized by general revenues.

Both government-wide financial statements distinguish between those Metro Parks functions principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of operating costs through user fees and charges (business-type activities).

Governmental activities include most of Metro Parks' basic services, such as parks maintenance, recreational services, and general administration. Property taxes, a subsidy from the City of Tacoma, and federal, state, and local grants finance most of these activities, with minor support coming from user fees.

Business-type activities include facilities and attractions such as a zoo, a wildlife park, a marina, and a golf course. Metro Parks charges fees to customers for these attractions with the intent of covering most of the cost associated with operating them. The zoo and wildlife park receive a designated percentage of sales tax collected in Pierce County. The other activities may also receive tax support.

Although there are various formal and informal groups and legally separate organizations which support Metro Parks' programs, activities, and events, Metro Parks' officials do not appoint a voting majority of any other organization's government body. As a result, no group or organization is considered to be a component unit of Metro Parks, and the government-wide financial statements do not incorporate any other organization's financial statements.

FUND FINANCIAL STATEMENTS

The accounts of Metro Parks are organized and operated on the basis of individual funds and fund accounting. The fund financial statements provide more detailed information about Metro Parks' most significant funds—not Metro Parks as a whole. Each fund is an independent fiscal and accounting entity with a self-balancing set of accounts composed of assets, liabilities, fund equity, revenues, and expenditures or expenses. Fund accounting segregates Metro Parks' resources and spending activities based upon the purposes for which the resources are allocated. Fund accounting also provides management with information to control spending activities and demonstrate compliance with finance-related legal and contractual provisions. All of Metro Parks' funds can be separated into three categories: governmental funds, proprietary funds, and fiduciary funds.

GOVERNMENTAL FUNDS

Most of Metro Parks' park and recreational services are included in governmental funds which focus on how cash (and other financial assets that can be readily converted to cash) flows in and out and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance Metro Parks' programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of each page that reconciles the fund statements to the government-wide statement.

Metro Parks maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the 2010 UTGO Bond Projects Fund, the Bond Local Projects Fund, and the 2014 UTGO Bond Projects Fund which are considered major funds. Data from the remaining sixteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

PROPRIETARY FUNDS

Metro Parks uses two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various Metro Parks functions.

Proprietary funds provide the same type of information as the government-wide financial statements but provide more detail and additional information, such as cash flows. Metro Parks' Zoological and Environmental Education Fund (which includes Point Defiance Zoo and Aquarium and Northwest Trek Wildlife Park) and the Boathouse Marina are considered Metro Parks' major enterprise funds. The third enterprise fund, Meadow Park Golf Course,

is considered a nonmajor fund; however since it is the only nonmajor business-type operation it is reported alongside the other two major funds.

Metro Parks' internal service funds are responsible for purchases and debt for fleet vehicles, medical self-insurance and property/liability claims insurance that predominantly benefit governmental rather than business-type functions. Therefore they have been included within governmental activities in the government-wide financial statements.

FIDUCIARY FUNDS

Fiduciary funds are used to provide information about the financial relationships in which Metro Parks acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. Metro Parks currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of Metro Parks' net position (88.5%) reflects its investment in capital assets (land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Metro Parks uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Metro Parks' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the government-wide net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining \$9 million of unrestricted net position may be used to meet the ongoing obligations to citizens and creditors.

Governmental activities account for \$177 million (75.9%) of total assets and \$64.5 million (63.1%) of total net position. Business-type activities account for \$56.1 million (24.1%) of total assets and \$37.8 million (36.9%) of total net position.

Capital asset accounts decreased \$3.6 million in 2014 mainly due to retirement of assets no longer in service. Current assets increased by \$34.8 million, in large part due to the cash generated from issuance of \$33.4 million in new UTGO bonds. The \$1.7 million increase in deferred outflows of resources represents a deferred loss on debt refunded in 2014. Long-term liabilities increased by \$33.5 million due to the issuance of new UTGO bonds.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 52,301,192	\$ 18,978,934	\$ 6,795,712	\$ 5,351,894	\$ 59,096,904	\$ 24,330,828
Capital Assets	124,719,898	126,095,755	49,268,128	51,456,925	173,988,026	177,552,680
Total Assets	\$ 177,021,090	\$ 145,074,689	\$ 56,063,840	\$ 56,808,819	\$ 233,084,930	\$ 201,883,508
Deferred Outflows of Resources	\$ 2,219,911	\$ 430,053	\$ 466,986	\$ 543,736	\$ 2,686,897	\$ 973,789
Long-term Liabilities Outstanding	\$ 111,651,000	\$ 76,587,707	\$ 17,402,316	\$ 18,947,335	\$ 129,053,316	\$ 95,535,042
Other Liabilities	3,046,730	3,245,610	1,325,345	1,193,250	4,372,075	4,438,860
Total Liabilities	\$ 114,697,730	\$ 79,833,317	\$ 18,727,661	\$ 20,140,585	\$ 133,425,391	\$ 99,973,902
Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position:						
Net Investment in Capital Assets	\$ 57,081,396	\$ 58,606,229	\$ 33,444,678	\$ 34,135,220	\$ 90,526,074	\$ 92,741,449
Restricted	3,446,482	1,314,781	17,387	65,144	3,463,869	1,379,925
Unrestricted	4,015,393	5,750,415	4,341,100	3,011,606	8,356,493	8,762,021
Total Net Position	\$ 64,543,271	\$ 65,671,425	\$ 37,803,165	\$ 37,211,970	\$ 102,346,436	\$ 102,883,395

GOVERNMENTAL ACTIVITIES: Overall total expenses exceeded revenues before transfers in governmental activities by \$1,429,211. Governmental activities were funded by program revenues of \$10.4 million (33.5%) and general revenues (primarily taxes) of \$20.6 million (66.5%). General Government, Parks and Natural Resources, and Tacoma Nature Center are more heavily supported by general revenues (79.2%, 78.4%, and 60.1%, respectively) than Recreation and Community Services (35.3%).

The most significant increase in revenues was in settlements (up \$679,685 or 54.4% from 2013). The most significant decrease in revenues was in capital grants and contributions (down \$682,833 or 31.5% from 2013).

Expenses increased by \$1.7 million or 5.6% from 2013. The most significant increase was in Parks and Natural Resources (\$1.6 million or 12.8%).

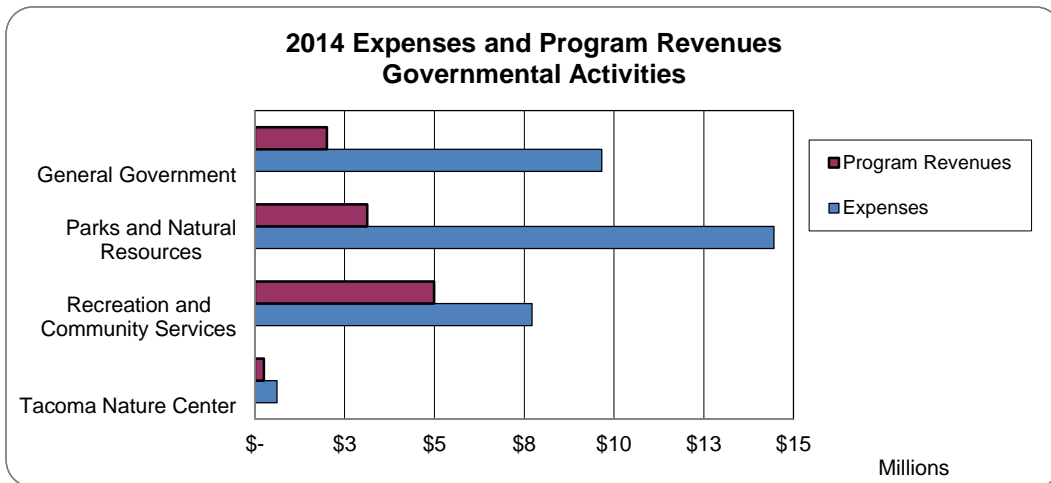
Transfers netting to \$307,726 were made to allocate overhead to the enterprise funds. These transfers increased the net position in governmental activities and decreased the net position in business-type activities.

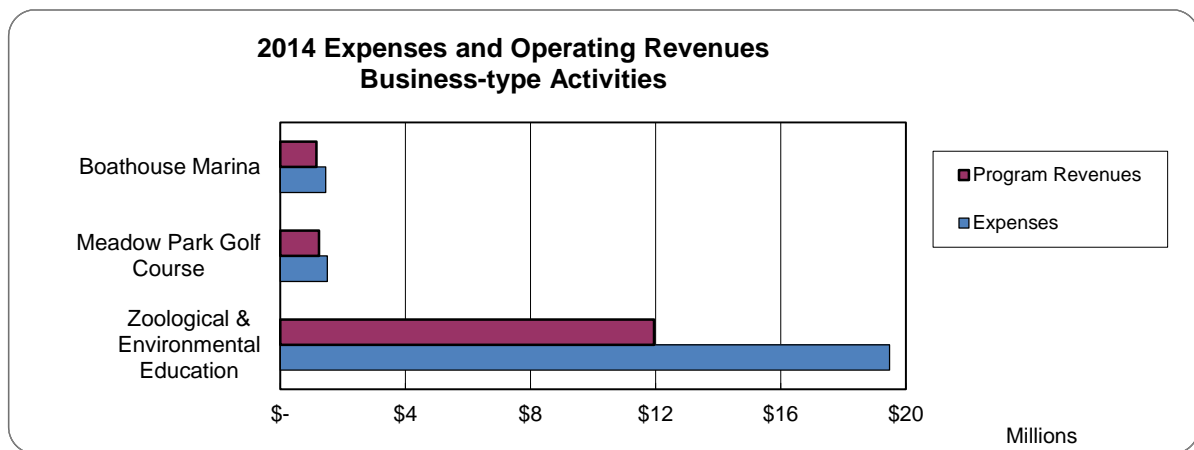
BUSINESS-TYPE ACTIVITIES: Net position before transfers in business-type activities decreased by \$357,096 from 2013. Most of this change was due to an increased operating loss in the Zoological and Environmental Education Fund.

CONDENSED STATEMENT OF CHANGES IN NET POSITION

Summary of Activities	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 4,910,603	\$ 4,678,395	\$ 13,307,058	\$ 13,093,009	\$ 18,217,661	\$ 17,771,404
Operating Grants & Contributions	3,985,235	3,384,705	1,050,171	1,290,806	5,035,406	4,675,511
Capital Grants & Contributions	1,482,899	2,165,732	-	-	1,482,899	2,165,732
General Revenues						
Total Taxes	18,499,819	18,316,705	8,762,080	8,421,856	27,261,899	26,738,561
Investment Earnings	18,674	30,426	1,192	2,906	19,866	33,332
Disposition of Capital Asset	-	-	-	-	-	-
Donated Capital Assets	-	-	-	70,000	-	70,000
Settlements	1,928,222	1,248,537	-	-	1,928,222	1,248,537
Miscellaneous Revenue	186,618	54,056	223,708	95,874	410,326	149,930
Total Revenues	\$ 31,012,070	\$ 29,878,556	\$ 23,344,209	\$ 22,974,451	\$ 54,356,279	\$ 52,853,007
Expenses						
General Government	\$ 9,656,912	\$ 9,332,541	\$ -	\$ -	\$ 9,656,912	\$ 9,332,541
Parks and Natural Resources	14,450,541	12,813,820	-	-	14,450,541	12,813,820
Recreation & Community Services	7,716,073	8,084,741	-	-	7,716,073	8,084,741
Tacoma Nature Center	617,755	492,838	-	-	617,755	492,838
Marina Activities	-	-	1,453,072	1,345,600	1,453,072	1,345,600
Golf Course Activities	-	-	1,513,389	1,476,311	1,513,389	1,476,311
Zoological Activities	-	-	19,478,827	18,896,523	19,478,827	18,896,523
Total Expenses	\$ 32,441,281	\$ 30,723,940	\$ 22,445,288	\$ 21,718,434	\$ 54,886,569	\$ 52,442,374
Increase (Decrease) in net position before transfers	\$ (1,429,211)	\$ (845,384)	\$ 898,921	\$ 1,256,017	\$ (530,290)	\$ 410,633
Transfers In (Out)	\$ 307,726	\$ 464,601	\$ (307,726)	\$ (464,601)	\$ -	\$ -
Increase (Decrease) in net position	\$ (1,121,485)	\$ (380,783)	\$ 591,195	\$ 791,416	\$ (530,290)	\$ 410,633
Change in Net Position						
Beginning Net Position	\$ 65,664,756	\$ 66,052,208	\$ 37,211,970	\$ 36,420,554	\$ 102,876,726	\$ 102,472,762
Increase (Decrease) in net position	(1,121,485)	(380,783)	591,195	791,416	(530,290)	410,633
Ending Net Position	\$ 64,543,271	\$ 65,671,425	\$ 37,803,165	\$ 37,211,970	\$ 102,346,436	\$ 102,883,395

The following charts show expenses by activity type compared to the program revenues for both governmental activities and business-type activities.





FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

The focus of Metro Parks' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Metro Parks' financing requirements.

The General Fund is the chief operating fund of Metro Parks. At the end of 2014, the unassigned Fund Balance of the General Fund was \$4.4 million, a decrease of \$.5 million. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned Fund Balance to total fund expenditures. This year, unassigned Fund Balance represents 19% of total expenditures and 18.8% of total expenditures plus transfers out.

The other major governmental funds of Metro Parks are the 2010 UTGO Bond Projects fund, the Bond Local Projects Fund and the 2014 UTGO Bond Projects fund. The 2010 and 2014 UTGO Bond Project funds were determined to be major funds due to the relatively large amount of assets (cash and investments) in those funds. The Bond Local Projects Fund was determined to be a major fund based on the amount of revenue received in 2014. Activity in all of the bond projects funds is anticipated to continue for several more years.

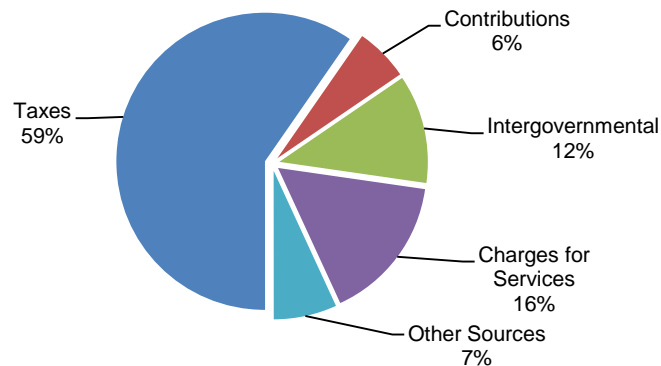
Revenues and Other Financing Sources. The governmental activity Revenues and Other Financing Sources increased by \$36.1 million mainly due to debt proceeds. Taxes and intergovernmental revenue combined account for 71.5% of the total revenue excluding other financing sources.

The chart below shows the revenues by source with percentages.

SUMMARY OF REVENUES AND OTHER FINANCING SOURCES - GOVERNMENTAL ACTIVITIES

	Amount		Increases (Decreases)	
	2014	2013	Amount	Percent
Revenue				
Taxes Revenue	\$ 18,499,818	\$ 18,316,705	\$ 183,113	1.0%
Intergovernmental Revenue	3,666,150	3,190,420	475,730	14.9%
Charges for Services	4,910,603	4,678,395	232,208	5.0%
Investment Earnings	18,674	30,426	(11,752)	-38.6%
Contributions	1,801,985	2,360,017	(558,032)	-23.6%
Insurance Recoveries	1,928,221	1,248,537	679,684	54.4%
Miscellaneous Revenue	186,618	32,621	153,997	472.1%
Total Revenue	\$ 31,012,069	\$ 29,857,121	\$ 1,154,948	3.9%
Other Financing Sources	35,867,503	940,864	34,926,639	3712.2%
Total Funding Sources	\$ 66,879,572	\$ 30,797,985	\$ 36,081,587	117.2%

2014 Revenues by Source - Governmental Activities

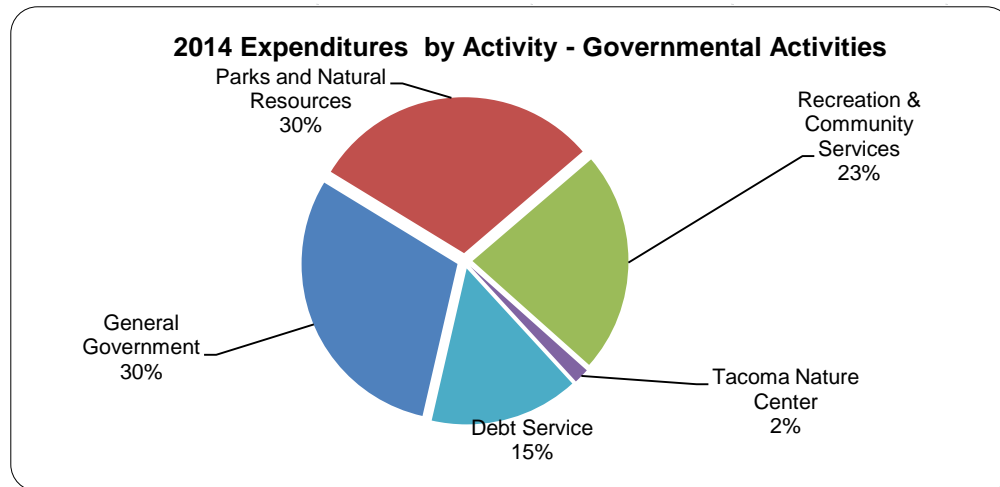


Expenditures and Other Financing Uses. Overall governmental activity Expenditures and Other Financing Uses decreased \$4.2 million (10.9%) from 2013 levels, mainly due to a decrease in capital outlay. General Government expenditures account for 29.8% of total expenditures and uses.

The chart below shows expenditures by activity with percentages.

SUMMARY OF EXPENDITURES AND OTHER FINANCING USES - GOVERNMENTAL ACTIVITIES

	Amount		Increases (Decreases)	
	2014	2013	Amount	Percent
Expenditures				
General Government	\$ 10,019,765	\$ 14,927,773	\$ (4,908,008)	-32.9%
Parks & Natural Resources	9,986,452	9,293,012	693,440	7.5%
Recreation & Community	7,605,597	7,768,446	(162,849)	-2.1%
Tacoma Nature Center	529,487	437,910	91,577	20.9%
Debt Service	5,136,655	4,931,700	204,955	4.2%
Total Expenditures	\$ 33,277,956	\$ 37,358,841	\$ (4,080,885)	-10.9%
Other Financing Uses	354,863	476,263	(121,400)	-25.5%
Total Expenditures & Uses	\$ 33,632,819	\$ 37,835,104	\$ (4,202,285)	-11.1%



FINANCIAL ANALYSIS OF THE BUSINESS-TYPE FUNDS

Metro Parks' proprietary funds distinguish operating revenues and expenses from non-operating items. The operating revenues and expenses generally result from providing services and producing and delivering goods in connection with each proprietary fund's principal ongoing operations.

The Zoological and Environmental Education fund is the largest of the three enterprise funds accounting for 90.1% of the total Revenues and Other Resources and 87.2% of the total Expenses and Other Uses of the business-type activities. The major sources of revenue for this fund were operations which provided \$10.9 million (52%) and taxes which totaled \$8.8 million (42%) of the fund's resources. Grants and contributions provided \$746,309 (4%) of the resources.

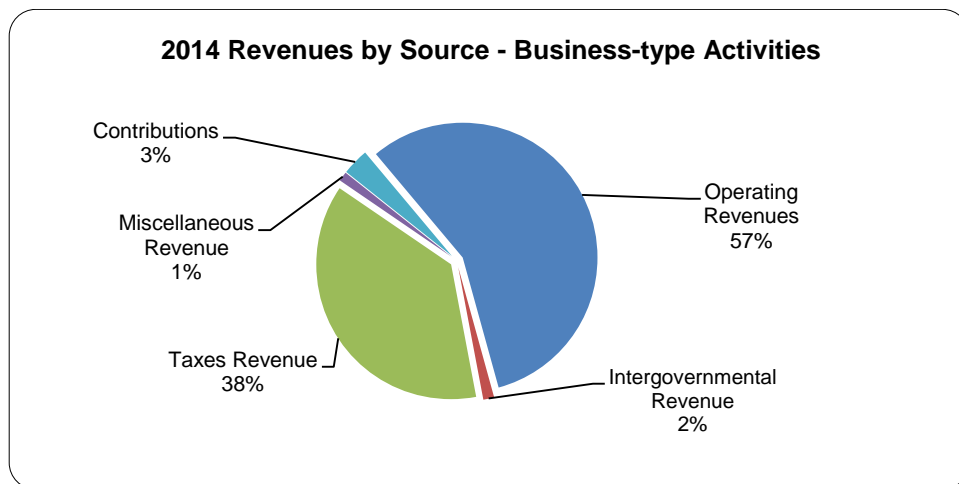
The Boathouse Marina accounts for 5% of the total Revenues and Other Resources and 6.4% of the total Expenses and Other Uses in the business-type activities. Operating revenues provided \$1.2 million (99.9%) of the fund's total revenues and other resources.

Meadow Park Golf Course accounts for 4.9% of the total Revenues and Other Resources and 6.4% of the total Expenses and Other Uses. Operations provided for nearly all of the revenues and expenses of this fund.

Revenues and Other Sources. Tax revenues show the biggest change (4% or \$340,223) as a result of the increase in the Zoological and Environmental Education fund.

The chart below shows the revenues by source with percentages.

SUMMARY OF REVENUES AND OTHER SOURCES - BUSINESS-TYPE ACTIVITIES				
	Amount		Increases (Decreases)	
	2014	2013	Amount	Percent
Revenue				
Operating Revenues	\$ 13,264,941	\$ 13,045,038	\$ 219,903	1.7%
Taxes Revenue	8,762,080	8,421,857	340,223	4.0%
Intergovernmental Revenue	303,848	298,714	5,134	1.7%
Grants & Contributions	746,323	1,062,093	(315,770)	-29.7%
Miscellaneous Revenue	267,017	(17,202)	284,219	-1652.2%
Total Revenue	\$ 23,344,209	\$ 22,810,500	\$ 533,709	2.3%
Capital Contributions	-	70,000	(70,000)	0.0%
Total Funding Sources	\$ 23,344,209	\$ 22,880,500	\$ 463,709	2.0%



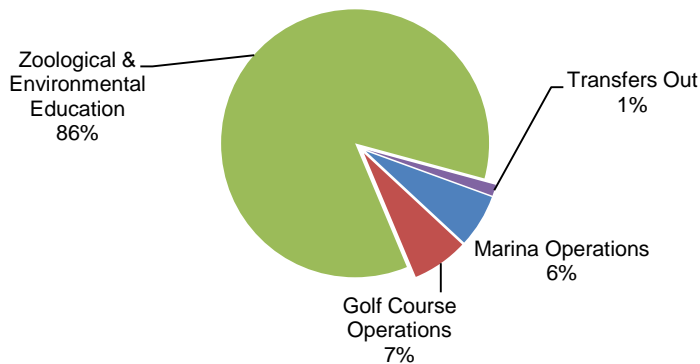
Expenses and Uses. Operations expenses increased 5% (\$1.1 million) from 2013 to 2014 primarily due to increases in the Zoological & Environmental Education fund.

The chart below shows expenses by activity with percentages.

SUMMARY OF EXPENSES AND OTHER USES - BUSINESS-TYPE ACTIVITIES

	Amount		Increases (Decreases)	
	2014	2013	Amount	Percent
Expenses				
Marina Operations	\$ 1,460,764	\$ 1,345,600	\$ 115,164	8.6%
Golf Course Operations	1,556,229	1,510,872	45,357	3.0%
Zoological & Environmental Education Operations	19,658,314	18,732,572	925,742	4.9%
Total Expenses	\$ 22,675,307	\$ 21,589,044	\$ 1,086,263	5.0%
Transfers Out	307,726	464,601	(156,875)	-33.8%
Total Uses	\$ 22,983,033	\$ 22,053,645	\$ 929,388	4.2%

2014 Expenses by Activity - Business-type Activities



GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Comparisons. Metro Parks adopted a biennial budget covering the 2013 and 2014 calendar years. This budget adopted by the Board of Park Commissioners for the General Fund anticipated revenues and transfers of \$44.5 million. With appropriations set at \$45.8 million, fund balance would decrease by \$1.3 million. The following budget amendments occurred in 2013-2014 biennium:

- As a result of new grant and donation revenue, the 2013 revenue budget was increased by \$320,000 and the expenditure budget was increased by \$320,000.
- As a result of favorable changes in economic condition and new revenue sources, the 2014 revenue budget was increased \$864,916 and the expenditure budget was increased by \$764,418.

More detailed information about the budget is located in Note 3 A to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Asset Activity. Metro Parks' net capital assets for governmental and business-type activities amounted to \$174 million at December 31, 2014. This balance includes land, infrastructure, buildings and other improvements, furnishings and equipment as well as construction in progress. Additional information on Metro Parks' capital assets can be found in Note 4.C to the financial statements.

- The net decrease in capital assets for Metro Parks was \$3.6 million in 2014.
- Governmental activity capital assets represent 71.7% of Metro Parks' net capital assets. These assets are used to provide Metro Parks' citizens with park and recreational facilities and activities which are subsidized by tax revenues.
- Business-type activities utilize 28.3% of Metro Parks' net capital assets. The majority of these assets (81.7%) are in the Zoological and Environmental Education Fund. These facilities provide a wide array of Pacific Rim and native wildlife experiences through exhibits, on and off-site programs, and events.

Debt Administration. At the end of 2014 Metro Parks had total long-term liabilities outstanding of \$129.1 million; \$111.7 million in governmental activities (86.5%) and \$17.4 million in business-type activities (13.5%). Additional information about the debt of Metro Parks can be found in Note 4.E to the financial statements.

- Total bonded debt outstanding at year end was \$115.2 million; \$101.1 million in governmental activities and \$14.1 million in business-type activities. All bonded debt is backed by the full faith and credit of Metro Parks.
- Notes payable total \$4.7 million. This amount is made up of 10 loans. Four of the loans are for the purchase of equipment and have an outstanding balance of \$361,954. Two of the loans are for energy upgrades throughout the district and have an outstanding balance of \$3.8 million. One loan is a zero interest loan with \$37,500 outstanding for capital purchases at the Norpoint facility. One loan was used for major repairs of the Boathouse roof and has an outstanding balance of \$185,000. One loan was used for roofing repairs at NW Trek and has an outstanding balance of \$150,000. The final loan was used for fitness equipment and has a balance of \$257,040.
- Compensated Absences represents estimated vacation, compensatory time, and sick leave due to employees. The total in governmental activities is \$1.8 million and the total in business-type activities is \$1.1 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Metro Parks' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Business and Operational Support Department, Metro Parks Tacoma, 4702 South 19th Street, Tacoma, WA 98405.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 45,708,478	\$ 4,215,088	\$ 49,923,566
Investments	5,000,000	-	5,000,000
Receivables (net)	1,360,921	2,604,137	3,965,058
Internal Balances	183,160	(183,160)	-
Prepayments	500	-	500
Inventories	48,133	142,260	190,393
Temporarily Restricted Assets			
Cash & Cash Equivalents - Bond Related	-	10,302	10,302
Receivables - Bond Related	-	7,085	7,085
Capital Assets (net of accumulated depreciation):			
Land	36,042,799	4,442,712	40,485,511
Buildings	39,062,761	20,253,709	59,316,470
Infrastructure	36,497,040	20,411,647	56,908,687
Equipment	4,554,039	2,600,955	7,154,994
Collections	567,168	56,390	623,558
Construction in Progress	7,996,091	1,502,715	9,498,806
Total Assets	\$ 177,021,090	\$ 56,063,840	\$ 233,084,930
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	\$ 2,219,911	\$ 466,986	\$ 2,686,897
Total Deferred Outflows of Resources	\$ 2,219,911	\$ 466,986	\$ 2,686,897
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,469,084	\$ 1,222,781	\$ 3,691,865
Unearned Revenue	495,510	102,564	598,074
Other Current Liabilities	82,136	-	82,136
Noncurrent Liabilities:			
Due within One Year	14,275,787	2,360,493	16,636,280
Due in More Than One Year	97,375,213	15,041,823	112,417,036
Total Liabilities	\$ 114,697,730	\$ 18,727,661	\$ 133,425,391
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 57,081,396	\$ 33,444,678	\$ 90,526,074
Restricted for:			
Debt Service	814,661	17,387	832,048
Capital Projects	2,631,821	-	2,631,821
Unrestricted	4,015,393	4,341,100	8,356,493
Total Net Position	\$ 64,543,271	\$ 37,803,165	\$ 102,346,436

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Activities
For the Year Ended December 31, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 6,106,585	\$ 46,440	\$ 479,743	\$ 1,482,899	\$ (4,097,503)	\$	\$ (4,097,503)
Parks and Natural Resources	14,450,541	537,428	2,590,726	-	(11,322,387)		(11,322,387)
Recreation and Community Services	7,716,073	4,100,045	894,712	-	(2,721,316)		(2,721,316)
Tacoma Nature Center	617,755	226,690	20,054	-	(371,011)		(371,011)
Interest on Long-term Debt	3,550,327	-	-	-	(3,550,327)		(3,550,327)
Total Governmental Activities	\$ 32,441,281	\$ 4,910,603	\$ 3,985,235	\$ 1,482,899	\$ (22,062,544)	\$	\$ (22,062,544)
BUSINESS-TYPE ACTIVITIES:							
Boathouse Marina	\$ 1,453,072	\$ 1,161,522	\$ 752	\$ -	\$	\$ (290,798)	\$ (290,798)
Meadow Park Golf Course	1,513,389	1,242,650	14	-		(270,725)	(270,725)
Zoological & Environmental Education	19,478,827	10,902,886	1,049,405	-		(7,526,536)	(7,526,536)
Total Business-type Activities	\$ 22,445,288	\$ 13,307,058	\$ 1,050,171	\$ -	\$	\$ (8,088,059)	\$ (8,088,059)
TOTAL GOVERNMENT	\$ 54,886,569	\$ 18,217,661	\$ 5,035,406	\$ 1,482,899	\$ (22,062,544)	\$ (8,088,059)	\$ (30,150,603)
GENERAL REVENUES:							
Property Taxes					\$ 16,586,654	\$ 1,970,827	\$ 18,557,481
Sales Taxes					1,685,434	6,791,253	8,476,687
Leasehold Excise Taxes					227,731	-	227,731
Investment Earnings					18,674	1,192	19,866
Insurance Recoveries					1,928,222	-	1,928,222
Miscellaneous General Revenues					186,618	223,708	410,326
Transfers					307,726	(307,726)	-
Total General Revenues & Transfers					\$ 20,941,059	\$ 8,679,254	\$ 29,620,313
Change in Net Position					\$ (1,121,485)	\$ 591,195	\$ (530,290)
Net Position - Beginning of Year					\$ 65,664,756	\$ 37,211,970	\$ 102,876,726
Net Position - End of Year					\$ 64,543,271	\$ 37,803,165	\$ 102,346,436

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Balance Sheet
Governmental Funds
December 31, 2014

	General	2010 UTGO Bond	Bond Local	2014 UTGO Bond	Other	
	Fund	Projects	Projects Fund	Projects	Governmental	Total
					Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash & Cash Equivalents	\$ 5,354,970	\$ 5,048,863	\$ 2,208,917	\$ 29,728,174	\$ 2,050,150	\$ 44,391,074
Investments	-	-	-	5,000,000	-	5,000,000
Receivables (net)	1,144,043	-	304,665	-	494,168	1,942,876
Interfund Receivable	440,000	440,000	88,485	-	50	968,535
Prepayments	500	-	-	-	-	500
Inventories	48,133	-	-	-	-	48,133
Total Assets	\$ 6,987,646	\$ 5,488,863	\$ 2,602,067	\$ 34,728,174	\$ 2,544,368	\$ 52,351,118
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 6,987,646	\$ 5,488,863	\$ 2,602,067	\$ 34,728,174	\$ 2,544,368	\$ 52,351,118
LIABILITIES						
Accounts Payable/Accrued Expenditures	\$ 1,619,929	\$ 167,668	\$ 1,937	\$ 58,157	\$ 445,111	\$ 2,292,802
Interfund Payable	-	-	-	-	440,050	440,050
Pledged Support	-	-	88,485	-	-	88,485
Unearned Revenue	365,685	-	129,824	-	-	495,509
Deposits Payable	75,979	-	-	-	-	75,979
Other Current Liabilities	6,157	-	-	-	-	6,157
Total Liabilities	\$ 2,067,750	\$ 167,668	\$ 220,246	\$ 58,157	\$ 885,161	\$ 3,398,982
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	\$ 409,484	-	-	-	\$ 172,472	\$ 581,956
Total Deferred Inflows of Resources	\$ 409,484	\$ -	\$ -	\$ -	\$ 172,472	\$ 581,956
FUND BALANCES						
<i>Nonspendable:</i>						
Inventory & Prepaids	\$ 48,133	\$ -	\$ -	\$ -	\$ -	\$ 48,133
<i>Restricted:</i>						
Debt Service	-	-	-	-	814,662	814,662
Capital Improvements	-	5,321,195	2,381,821	34,670,017	250,000	42,623,033
<i>Committed:</i>						
Eastside Pool	27,402	-	-	-	-	27,402
Julia's Gulch	4,656	-	-	-	-	4,656
Wapato Hills	6,154	-	-	-	-	6,154
Old Town Dock	13,243	-	-	-	-	13,243
<i>Assigned to:</i>						
Capital Projects Funds	-	-	-	-	1,084,561	1,084,561
<i>Unassigned</i>	4,410,824	-	-	-	(662,488)	3,748,336
Total Fund Balances	\$ 4,510,412	\$ 5,321,195	\$ 2,381,821	\$ 34,670,017	\$ 1,486,735	\$ 48,370,180
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,987,646	\$ 5,488,863	\$ 2,602,067	\$ 34,728,174	\$ 2,544,368	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Land	\$ 36,042,799	
Buildings	51,787,683	
Infrastructure	55,170,377	
Machinery & Equipment	8,139,798	
Collections	567,168	
Construction in Progress	7,996,091	
Accumulated Depreciation	(35,927,131)	\$ 123,776,785

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and Notes Payable	\$ (107,261,568)	
Compensated Absences	(1,801,374)	\$ (109,062,942)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities are included in the governmental activities statement of net position.

	\$ 1,459,248
Net position of governmental activities	<u>\$ 64,543,271</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	2010 UTGO Bond Projects	Bond Local Projects Fund	2014 UTGO Bond Projects	Other Governmental Funds	Total
REVENUES						
<i>Taxes:</i>						
Property Taxes	\$ 12,262,640	\$ -	\$ -	\$ -	\$ 4,324,014	\$ 16,586,654
Sales Taxes	1,685,433	-	-	-	-	1,685,433
Leasehold Excise Taxes	227,731	-	-	-	-	227,731
Intergovernmental	3,327,605	-	-	-	338,545	3,666,150
Charges for Services	4,868,498	-	42,105	-	-	4,910,603
Investment Earnings	6,177	6,147	92	2,245	4,013	18,674
Contributions	182,810	-	1,301,900	-	317,275	1,801,985
Insurance Premiums & Recoveries	6,092	-	1,922,129	-	-	1,928,221
Other Miscellaneous Revenue	186,618	-	-	-	-	186,618
Total Revenues	\$ 22,753,604	\$ 6,147	\$ 3,266,226	\$ 2,245	\$ 4,983,847	\$ 31,012,069
EXPENDITURES						
<i>Current:</i>						
General Government	\$ 4,970,010	\$ 546,730	\$ -	\$ 2,917	\$ 535,371	\$ 6,055,028
Parks and Natural Resources	9,820,172	-	-	-	-	9,820,172
Recreation and Community Services	7,605,597	-	-	-	-	7,605,597
Tacoma Nature Center	529,487	-	-	-	-	529,487
<i>Debt Service:</i>						
Principal	145,152	-	-	-	1,463,863	1,609,015
Interest	11,071	-	-	-	3,314,629	3,325,700
Other Bond Costs	-	-	-	200,111	1,829	201,940
<i>Capital Outlay:</i>						
General Government	-	943,803	1,445,422	332,051	1,243,461	3,964,737
Parks and Natural Resources	166,280	-	-	-	-	166,280
Total Expenditures	\$ 23,247,769	\$ 1,490,533	\$ 1,445,422	\$ 535,079	\$ 6,559,153	\$ 33,277,956
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (494,165)	\$ (1,484,386)	\$ 1,820,804	\$ (532,834)	\$ (1,575,306)	\$ (2,265,887)
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 266,869	\$ -	\$ -	\$ -	\$ 395,720	\$ 662,589
Transfers Out	(234,363)	-	(5,279)	-	(115,221)	(354,863)
Issuance of Debt	-	-	-	33,400,000	-	33,400,000
Premium on Issuance of Debt	-	-	-	1,802,851	-	1,802,851
Issuance of Refunding Bonds	-	-	-	-	18,040,000	18,040,000
Premium on Refunding Bonds	-	-	-	-	3,448,114	3,448,114
Payment to Refunded Bonds Escrow Agent	-	-	-	-	(21,486,051)	(21,486,051)
Total Other Financing Sources (Uses)	\$ 32,506	\$ -	\$ (5,279)	\$ 35,202,851	\$ 282,562	\$ 35,512,640
Net Change in Fund Balances	\$ (461,659)	\$ (1,484,386)	\$ 1,815,525	\$ 34,670,017	\$ (1,292,744)	\$ 33,246,753
Fund Balances - Beginning	\$ 4,972,071	\$ 6,805,581	\$ 566,296	\$ -	\$ 2,779,479	\$ 15,123,427
Fund Balances - Ending	\$ 4,510,412	\$ 5,321,195	\$ 2,381,821	\$ 34,670,017	\$ 1,486,735	\$ 48,370,180

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 depreciated over their estimated useful lives.

Capital outlays	\$ 4,131,018	
Depreciation	(5,114,827)	
Net Effect of Capital Assets Sold or Retired	(278,632)	\$ (1,262,441)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Debt Proceeds	\$ (51,440,000)	
Premium on Debt	(5,250,965)	
Payment to Escrow	21,486,051	
Debt Retired	1,609,015	\$ (33,595,899)

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.

\$ 49,505

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of these activities is reported with governmental activities.

\$ 440,597

Change in net position of governmental activities

\$ (1,121,485)

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Biennial Amounts</u>			Variance with
	Original	As Amended at 12/31/14	Biennium Actual Through 12/31/14	Amended Budget - Positive / (Negative)
REVENUES				
<i>Taxes:</i>				
Property	\$ 24,503,820	\$ 24,903,820	\$ 24,371,599	\$ 532,221
Sales	2,905,052	3,135,052	3,286,094	(151,042)
Leasehold Excise	520,000	520,000	424,608	95,392
Intergovernmental	5,530,419	5,845,419	6,470,016	(624,597)
Charges for Services	10,140,481	10,152,987	9,518,822	634,165
Investment Earnings	18,000	18,000	16,121	1,879
Contributions	438,830	443,830	415,104	28,726
Insurance Premiums & Recoveries	-	-	16,680	(16,680)
Other Miscellaneous Revenue	18,011	240,420	219,239	21,181
Total Revenues	\$ 44,074,613	\$ 45,259,528	\$ 44,738,283	\$ 521,245
EXPENDITURES				
<i>Current:</i>				
General Government	\$ 9,520,926	\$ 9,765,863	\$ 9,595,438	\$ 170,425
Parks and Natural Resources	18,852,617	19,025,490	18,923,157	102,333
Recreation and Community Services	15,082,171	15,681,471	15,374,043	307,428
Tacoma Nature Center	992,852	974,159	967,398	6,761
<i>Debt Service:</i>				
Principal	193,746	193,746	286,367	(92,621)
Interest	21,794	21,794	26,624	(4,830)
<i>Capital Outlay:</i>				
Parks and Natural Resources	400,000	400,000	356,307	43,693
Total Expenditures	\$ 45,064,106	\$ 46,062,523	\$ 45,529,334	\$ 533,189
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (989,493)	\$ (802,995)	\$ (791,051)	\$ 11,944
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 389,578	\$ 389,578	\$ 461,629	\$ 72,051
Transfers Out	(698,800)	(784,800)	(710,626)	74,174
Total Other Financing Sources (Uses)	\$ (309,222)	\$ (395,222)	\$ (248,997)	\$ 146,225
Net Change in Fund Balances	\$ (1,298,715)	\$ (1,198,217)	\$ (1,040,048)	\$ 158,169
Fund Balances - Beginning	\$ 4,644,930	\$ 4,644,930	\$ 5,550,460	\$ 905,530
Fund Balances - Ending	\$ 3,346,215	\$ 3,446,713	\$ 4,510,412	\$ 1,063,699

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Net Position
Proprietary Funds
December 31, 2014

	Business-type Activities				
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total	Governmental Activities - Internal Service
ASSETS					
Current Assets:					
Cash & Cash Equivalents	\$ 3,593,056	\$ 619,489	\$ 2,543	\$ 4,215,088	\$ 1,317,403
Receivables (net)	2,589,370	100	14,666	2,604,136	-
Inventories	53,377	51,242	37,642	142,261	-
Restricted Cash & Cash Equivalents - Bond Related	10,302	-	-	10,302	-
Restricted Receivables - Bond Related	7,085	-	-	7,085	-
Total Current Assets	\$ 6,253,190	\$ 670,831	\$ 54,851	\$ 6,978,872	\$ 1,317,403
Noncurrent Assets:					
Capital Assets (net of accumulated depreciation):					
Land	2,829,542	200,000	1,413,170	4,442,712	-
Buildings	17,412,669	2,280,037	561,003	20,253,709	-
Infrastructure	16,069,046	3,030,018	1,312,583	20,411,647	-
Equipment	2,363,730	54,654	182,571	2,600,955	943,115
Collections	56,390	-	-	56,390	-
Construction in Progress	1,502,715	-	-	1,502,715	-
Total Noncurrent Assets	\$ 40,234,092	\$ 5,564,709	\$ 3,469,327	\$ 49,268,128	\$ 943,115
Total Assets	\$ 46,487,282	\$ 6,235,540	\$ 3,524,178	\$ 56,247,000	\$ 2,260,518
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	466,986	-	-	466,986	-
Total Deferred Outflows of Resources	\$ 466,986	\$ -	\$ -	\$ 466,986	\$ -
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 1,132,977	\$ 42,573	\$ 47,233	\$ 1,222,783	\$ 87,797
Interfund Payables	88,485	-	440,000	528,485	-
Compensated Absences	655,476	17,762	13,464	686,702	-
Bonds, Notes, Loans Payable	1,641,575	30,000	2,216	1,673,791	205,012
Unearned Revenue	-	30,408	72,157	102,565	-
Total Current Liabilities	\$ 3,518,513	\$ 120,743	\$ 575,070	\$ 4,214,326	\$ 292,809
Noncurrent Liabilities:					
Compensated Absences	\$ 370,064	\$ 5,141	\$ 49,971	\$ 425,176	\$ -
Bonds, Notes, Loans Payable	14,441,173	155,000	20,473	14,616,646	163,135
Total Noncurrent Liabilities	\$ 14,811,237	\$ 160,141	\$ 70,444	\$ 15,041,822	\$ 163,135
Total Liabilities	\$ 18,329,750	\$ 280,884	\$ 645,514	\$ 19,256,148	\$ 455,944
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 24,618,331	\$ 5,379,710	\$ 3,446,637	\$ 33,444,678	\$ 574,968
Restricted for:					
Debt Service	17,387	-	-	17,387	-
Unrestricted	3,988,802	574,946	(567,973)	3,995,775	1,229,606
Total Net Position	\$ 28,624,520	\$ 5,954,656	\$ 2,878,664	\$ 37,457,840	\$ 1,804,574
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				\$ 345,325	
Net Position of Business-type Activities				<u>\$ 37,803,165</u>	

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities				Governmental Activities - Internal Service
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total	
OPERATING REVENUES					
Zoological & Environmental Education Operations	\$ 10,860,769	\$ -	\$ -	\$ 10,860,769	\$ -
Marina Operations	-	1,161,522	-	1,161,522	-
Golf Course Operations	-	-	1,242,650	1,242,650	-
Other Services	-	-	-	-	3,357,897
Total Operating Revenues	\$ 10,860,769	\$ 1,161,522	\$ 1,242,650	\$ 13,264,941	\$ 3,357,897
OPERATING EXPENSES					
Zoological & Environmental Education Operations	\$ 16,994,824	\$ -	\$ -	\$ 16,994,824	\$ -
Marina Operations	-	1,067,343	-	1,067,343	-
Golf Course Operations	-	-	1,323,684	1,323,684	-
Self Insurance and Claims	-	-	-	-	2,469,602
Depreciation	1,955,725	319,572	137,545	2,412,842	204,565
Total Operating Expenses	\$ 18,950,549	\$ 1,386,915	\$ 1,461,229	\$ 21,798,693	\$ 2,674,167
Operating Income (Loss)	\$ (8,089,780)	\$ (225,393)	\$ (218,579)	\$ (8,533,752)	\$ 683,730
NONOPERATING REVENUES (EXPENSES)					
Property Taxes	\$ 1,970,827	\$ -	\$ -	\$ 1,970,827	\$ -
Sales Taxes	6,791,253	-	-	6,791,253	-
Intergovernmental	303,096	752	-	303,848	-
Unrestricted Grants and Contributions	746,309	-	14	746,323	-
Investment Earnings	762	240	191	1,193	-
Interest Expense	(694,387)	(8,400)	(1,007)	(703,794)	(13,113)
Debt Issuance Costs	(680)	-	-	(680)	-
Gain (Loss) on Disposition of Assets	(12,698)	(65,449)	(93,993)	(172,140)	-
Amortization of Bond Premium/Discount	42,117	-	-	42,117	-
Miscellaneous Revenues (Expenses)	223,978	-	(271)	223,707	-
Total Non-operating Revenues (Expenses)	\$ 9,370,577	\$ (72,857)	\$ (95,066)	\$ 9,202,654	\$ (13,113)
Income (Loss) Before Transfers	\$ 1,280,797	\$ (298,250)	\$ (313,645)	\$ 668,902	\$ 670,617
Transfers Out	(293,546)	(14,180)	-	(307,726)	-
Change in Net Position	\$ 987,251	\$ (312,430)	\$ (313,645)	\$ 361,176	\$ 670,617
Net Position - Beginning of Year	\$ 27,637,269	\$ 6,267,086	\$ 3,192,309		\$ 1,133,957
Net Position - End of Year	\$ 28,624,520	\$ 5,954,656	\$ 2,878,664		\$ 1,804,574

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds: \$ 230,019

Change in net position of business-type activities \$ 591,195

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities				Governmental Activities - Internal Service
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 11,020,015	\$ 1,204,070	\$ 1,237,304	\$ 13,461,389	\$ 3,357,897
Cash Payments for Goods and Services	(6,174,902)	(586,818)	(424,747)	(7,186,467)	(2,381,805)
Cash Payments to Employees for Services	(10,574,050)	(489,553)	(795,251)	(11,858,854)	-
Net Cash Provided (Used) by Operating Activities	\$ (5,728,937)	\$ 127,699	\$ 17,306	\$ (5,583,932)	\$ 976,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Grants Received	\$ 303,096	\$ 752	\$ -	\$ 303,848	\$ -
Intergovernmental Revenues Received	6,749,053	-	-	6,749,053	-
Donations Received	746,309	-	14	746,323	-
Transfers to Other Funds	(293,546)	(14,180)	-	(307,726)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 7,504,912	\$ (13,428)	\$ 14	\$ 7,491,498	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental Revenues Received	\$ 1,983,520	\$ -	\$ -	\$ 1,983,520	\$ -
Acquisition and Construction - Capital Assets	(380,802)	(8,046)	(11,993)	(400,841)	(91,155)
Issuance of Debt	162,802	-	-	162,802	-
Interfund Interest Paid	(93)	-	-	(93)	-
Proceeds on Disposition of Assets	4,658	-	-	4,658	-
Principal Paid on Long Term Debt	(1,429,088)	(25,000)	(2,050)	(1,456,138)	(266,885)
Interest Paid on Long Term Debt	(694,295)	(8,400)	(1,008)	(703,703)	(19,187)
Fiscal Charges	(680)	-	-	(680)	-
Net Cash Used for Capital and Related Financing Activities	\$ (353,978)	\$ (41,446)	\$ (15,051)	\$ (410,475)	\$ (377,227)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Interest on Investments	\$ 762	\$ 240	\$ 191	\$ 1,193	\$ -
Net Cash Provided by Investing Activities	\$ 762	\$ 240	\$ 191	\$ 1,193	\$ -
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,422,759	\$ 73,065	\$ 2,460	\$ 1,498,284	\$ 598,865
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 2,180,599	\$ 546,424	\$ 83	\$ 2,727,106	\$ 718,538
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,603,358	\$ 619,489	\$ 2,543	\$ 4,225,390	\$ 1,317,403
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (8,089,780)	\$ (225,393)	\$ (218,579)	\$ (8,533,752)	\$ 683,730
Miscellaneous Revenues	223,978	-	(271)	223,707	-
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	\$ 1,955,725	\$ 319,572	\$ 137,545	\$ 2,412,842	\$ 204,565
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	95,372	40,303	(124)	135,551	-
(Increase) Decrease in Due From Other Governments	(160,104)	-	3,641	(156,463)	-
(Increase) Decrease in Inventory	48,276	1,964	(3,137)	47,103	-
Increase (Decrease) in Accounts Payable & Accrued Expenses	123,554	(1,128)	12,044	134,470	87,797
Increase (Decrease) in Due to Other Funds	14,302	-	125,000	139,302	-
Increase (Decrease) in Due to Other Governments	-	780	(609)	171	-
Increase (Decrease) in Compensated Absences	59,990	(10,644)	(19,361)	29,985	-
Increase (Decrease) in Unearned Revenue	-	2,245	(8,593)	(6,348)	-
Increase (Decrease) in Deposits Payable	(250)	-	(10,250)	(10,500)	-
Total Adjustments	\$ 2,136,865	\$ 353,092	\$ 236,156	\$ 2,726,113	\$ 292,362
Net Cash Provided (Used) by Operating Activities	\$ (5,728,937)	\$ 127,699	\$ 17,306	\$ (5,583,932)	\$ 976,092

The notes to the financial statements are an integral part of this statement.

METROPOLITAN PARK DISTRICT OF TACOMA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Park District of Tacoma, Washington, (Metro Parks) was incorporated in 1907 under the provisions of Chapter 35.61 Revised Code of Washington (RCW) and operates under the laws of the State of Washington applicable to a municipality with a commissioner form of government.

The financial statements of Metro Parks have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. THE REPORTING ENTITY

The Metropolitan Park District of Tacoma is a special purpose government which provides park and recreation services through over eighty park and recreation facilities. Metro Parks is governed by a board of five commissioners who are elected by City of Tacoma voters to six year staggered terms. In addition, Metro Parks owns and operates a boathouse and marina, a golf course, an animal wildlife park, and a zoo and aquarium. Metro Parks is fiscally independent of other state and local government entities. Based on the criteria of the Governmental Accounting Standards Board (GASB), Metro Parks is a primary government for reporting purposes. There are no additional entities or funds for which Metro Parks has reporting responsibilities. Control by Metro Parks is determined on the basis of budget adoption and resource allocation criteria. Dependence is determined by Metro Parks' obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from Metro Parks constitute a major portion of the organization's total non-grant resources.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Metro Parks. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Parks considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other taxes and receipts become measurable and available when received and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Metro Parks reports the following major governmental funds:

The *General Fund* is the primary operating fund of Metro Parks. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *2010 UTGO Bond Projects Fund* accounts for \$25 million of voter-approved bonds issued in 2010.

The *Bond Local Projects Fund* accounts for grants, donations and other matching funds used to expand bond projects.

The *2014 UTGO Bond Projects Fund* accounts for \$33.4 million of voter-approved bonds issued in 2014.

A variety of Metro Parks' programs are accounted for in nonmajor governmental funds. Nonmajor *Debt Service Funds* are for the accumulation of resources to pay principal, interest, and related costs on general long-term debt. Nonmajor *Capital Project Funds* account for financial resources which are designated for the acquisition or construction of general government capital improvements.

Metro Parks reports the following major proprietary funds:

The *Zoological and Environmental Education Fund* is an enterprise fund which accounts for Point Defiance Zoo and Aquarium and Northwest Trek Wildlife Park. These facilities provide a wide array of Pacific Rim and native wildlife experiences through exhibits, on and off-site programs, and events. Point Defiance Zoo and Aquarium is a year-round 27-acre zoological facility where visitors view wildlife species native to the Pacific Rim. Northwest Trek is a 715 acre wildlife and nature preserve where visitors are provided the rare opportunity to view animals native to the Pacific Northwest in a captive yet natural setting.

The *Boathouse Marina Fund* accounts for the Point Defiance Boathouse. These operations provide dry boat storage, boat and motor rentals, gas sales, tackle and gift shop sales, fishing license sales, guest moorage, parking, and free fishing piers.

The third and final business-type operation, Meadow Park Golf Course, is accounted for as a nonmajor *Enterprise Fund*; however, since it is the only nonmajor business-type operation, it is reported alongside the major programs.

Additionally, Metro Parks reports three Internal Service funds to account for fleet purchasing services provided to other departments on a cost reimbursement basis, medical self-insurance and property/liability claims.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the policy of Metro Parks to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

1. Deposits and Investments

Metro Parks' cash and cash equivalents are composed of cash on hand, demand deposits, and short term investments with original maturities of six months or less from the date of acquisition. It is Metro Parks' policy to invest all temporary cash surpluses. Interest on these investments is credited to the General Fund except where legal requirements, specific Board policy, or agreements with outside agencies require otherwise. Investments are stated at fair value (see Note 4-A).

2. Receivables And Payables

Taxes receivable consists of property taxes and related interest and penalties. Property taxes are levied and become an enforceable lien against the property on January 1 of each year. The first of two equal installments is due on April 30 and, if not paid in full, the second half is due on October 31. Because property taxes are considered liens on property, no estimated uncollectible amounts are established (see Note 4-B). Additional taxes receivable are from distributions of Washington State sales tax revenue, a portion of which is dedicated to parks and accredited zoological facilities.

Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Accounts receivable are amounts due for services rendered by Metro Parks. All receivables from or payables to other governments are included in these accounts.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A detail of interfund activity at December 31, 2014 is furnished in Note 4-D to these financial statements.

3. Inventories And Prepaid Items

All inventories are valued at cost on the first in, first out basis and consist of goods held for resale to the public. Governmental fund types recognize the cost of inventory items as expenditures when purchased and proprietary fund types recognize the cost of inventory items as expenses when sold. The Nonspendable Fund Balance in the General Fund is equal to the ending amount of inventory and prepaid items to indicate that this portion of the fund balance is not available for future expenditures.

Occasionally payments to vendors reflect costs applicable to future accounting periods and would be recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain assets are classified as restricted assets because their use is restricted by contract. Resources for construction and debt service within the Enterprise Funds are segregated and classified as restricted assets. Related liabilities are included on the statement of net position as liabilities payable from restricted assets or as certain long-term liabilities.

5. Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by Metro Parks as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets as applicable. Buildings, infrastructure, and equipment of Metro Parks are depreciated using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	20 – 50 years
Infrastructure	10 – 50 years
Equipment, Furniture, & Vehicles	3 – 25 years

6. Construction Commitments

Metro Parks has active construction project contracts totaling \$1,048,282 at December 31, 2014. These projects are financed by general obligation bonds issued for the purpose of constructing and upgrading park facilities as well as by grants and contributions.

7. Compensated Absences

Employees accrue vacation pay by reason of tenure. Vacation pay may be accumulated up to a maximum equal to the amount accrued in a two-year period (a three-year period for senior/executive management) and is payable upon resignation, retirement, or death. Compensatory time is payable as earned. Sick leave may accumulate indefinitely. Upon separation from employment with Metro Parks, all sick leave shall be forfeited except under the following circumstances.

- Sick leave is paid out at 50% in the event of death of the employee, and 100% at death as a result of a service connected accident or illness.

- Sick leave is paid out at 25% if the employee is 1) eligible to draw pension with the State Department of Retirement Systems, 2) is a minimum of 50 years old, or 3) has 30 years of service with Metro Parks.

Accumulated Unpaid Amounts At December 31, 2014			
	Current Portion		Long-term Portion
Vacation	\$	1,229,538	\$ 713,944
Sick Leave		426,503	467,372
Compensation Time		75,896	-
Total	\$	1,731,937	\$ 1,181,316
Governmental Funds	\$	1,045,235	\$ 756,139
Proprietary Funds		686,702	425,177
Total	\$	1,731,937	\$ 1,181,316

Metro Parks records all accumulated unused vacation and compensatory time. For unused sick leave, the accrued liability is recorded as 10% of accumulated unused sick leave which is considered the material amount vested. In proprietary funds, the expenses are accrued when incurred and the liability is recorded in the fund. For governmental funds, unused vacation, compensatory time and sick leave at year-end is considered long-term debt since it is believed current expendable resources will not be used to liquidate any of the accrued benefits. Compensated absences would be reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). The General Fund has typically been used to liquidate the liability for compensated absences.

8. Long-Term Debt

In the government-wide financial statements and proprietary fund's financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses on refunded bonds are reported as deferred outflows of resources and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Arbitrage occurs when funds borrowed at tax-exempt interest rates are invested in higher yielding taxable securities. Such investment earnings in excess of related interest expense on tax-exempt debt are reported as a liability due to the federal government and a reduction to interest revenue.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes 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 future periods and so will *not*

be recognized as an outflow of resources (expense/expenditure) until then. Metro Parks only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position includes 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 future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. Metro Parks has one item, unavailable revenue from property taxes, which qualifies for reporting in this category. The deferred inflow of resources from unavailable property tax revenue occurs only in governmental fund financial statements prepared under the modified accrual basis of accounting and, accordingly, is reported as a deferred inflow of resources only in the governmental funds balance sheet. This amount is deferred and will be recognized as an inflow of resources in the period that amounts become available.

10. Fund Balance Policies

In the fund financial statements, governmental funds may report fund balance in five areas. Amounts that are not available for current use, such as fund balance related to inventories and prepaid items, are reported as *Nonspendable*. The remaining amounts are classified according to the relative strength of the constraints placed on the spending of such funds. *Restricted* amounts are subject to externally enforceable constraints such as bond covenants and grantor requirements. *Committed* fund balance has formal legal constraints imposed by resolution of the Board of Park Commissioners. *Assigned* fund balance reflects an intended use or earmarking of the resources which are imposed by less formal means. The Board of Park Commissioners has the authority to assign fund balance. No formal action is required to reallocate assigned fund balance. *Unassigned* is the residual classification for the General Fund and includes all amounts that are not reported in the other categories.

11. Fund Balance Flow Assumptions

Sometimes Metro Parks will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is Metro Parks' policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Metro Parks considers restricted – net position to have been depleted before unrestricted – net position.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The schedule presents detailed explanations for the major elements of the reconciliation including certain government-wide assets and liabilities not included in governmental fund balance sheets.

B. DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states “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.” Of the \$49,505 reported \$59,078 represents an increase in liability for compensated absences and \$9,574 represents amortization of bond premiums and deferred charges on refunding which are not included in the governmental fund statements.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Metro Parks’ biennial budget is adopted by resolution of the Board of Park Commissioners for the general fund on a basis consistent with generally accepted accounting principles. While not required by law, Metro Parks adopts budgets for enterprise funds which are “management budgets” and as such, are not reported in the CAFR. Life-to-date budgets have been adopted for *Debt Service Funds* and *Capital Projects Funds*. Appropriations lapse at the end of the biennium except for the debt service and capital project funds which are budgeted on a project length basis.

The budget amounts shown in the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual* are the biennial amounts.

Budgets are adopted at the fund level and constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Budgetary accounts are integrated in fund ledgers for all budgeted funds.

By October 31 of even numbered years the Executive Director submits a proposed biennial budget to the Board of Park Commissioners. This budget is based on priorities established by the Board of Park Commissioners and estimates provided by Metro Parks’ departments during the preceding months, and balanced with revenue estimates made by the Department Directors. The Board of Park Commissioners conducts public hearings on the proposed budget in November and December. After adjustments, a final balanced budget is adopted no later than December 31. Within 90 days of adoption, the final budget document is available to the public. During the budget preparation process, the Board of Park Commissioners adopts the salary ranges and the benefits package for the biennium.

Department Directors are authorized to transfer budgeted amounts between object classes within their departments and the Executive Director is authorized to transfer budgeted amounts between departments. Any revisions that alter the total expenditures of a fund must be approved by the Board of Park Commissioners.

When the Board of Park Commissioners determines that it is in the best interest of Metro Parks to increase or decrease the appropriation for a particular fund or department, it may do so by resolution approved by a simple majority. The General Fund budget was amended seven times during the 2013-2014 biennium as noted below.

Amendment #	Reason	Revenues	Expenditures	Division
2013-1	New grant revenue	\$ 100,000	\$ 100,000	Recreation
2013-2	New grant revenue	\$ 150,000	\$ 150,000	Recreation
2013-3	New grant revenue	\$ 65,000	\$ 65,000	Recreation
2013-4	New donation revenue	\$ 5,000	\$ 5,000	Recreation
2014-1	Changes in economic condition	\$ 836,670	\$ 736,172	Administration
2014-2	New partnership revenue	\$ 22,500	\$ 22,500	Governmental
2014-3	New donation revenue	\$ 5,745	\$ 5,745	Parks
Net change		\$ 1,184,915	\$ 1,084,417	

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in all funds. It is the policy of Metro Parks to cause encumbrances to lapse at year-end so that ongoing purchase orders, contracts, and commitments must be re-encumbered for the next year.

B. LEGAL AND CONTRACTUAL COMPLIANCE

Metro Parks has complied, to the best of its knowledge, with all material finance-related legal and contractual provisions. No related party transactions have been identified.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A – CASH AND INVESTMENTS

In accordance with state statute, Pierce County is the ex-officio treasurer for Metro Parks. As such, it holds all of the District's cash and investments except for imprest and clearing accounts. All cash and time deposits are entirely insured or collateralized through federal depository insurance with the balance of the deposits collateralized by the state's multiple financial institution collateral pool. Metro Parks' Comprehensive Financial Management Policy requires the deposit and investment of public funds "in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of Metro Parks and conforming to all state and local statutes governing the investment of public funds". Chapter 39.58 of the Revised Code of Washington requires public monies to be deposited in only "qualified public depositories", as designated by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is also the monitoring state agency for the multiple financial institution collateral pool for public money deposits in the state.

DEPOSITS. At year-end, the carrying amount and bank balance of Metro Parks' deposits was \$10,230,598. All of the balance was covered by federal depository insurance (FDIC) and the WPDPC. Deposits covered by WPDPC are considered insured for deposit categorization purposes.

INVESTMENTS. Metro Park's policy and Washington State statutes authorize Metro Parks to invest in obligations of the United States Treasury, agencies, and instrumentalities, bankers' acceptances, certificates of deposits issued by qualified public depositories, and repurchase agreements. At December 31, 2014, the Pierce County Treasurer was holding \$39,618,000 in short-term investments in the Local Government Investment Pool. The Pool offers 100% liquidity, therefore, all of these short term investments are considered cash equivalents and not subject to risk categorization. Additionally, the Pierce County Treasurer was holding a \$5,000,000 two-year certificate of deposit on behalf of Metro Parks.

OTHER. Metro Parks has an additional \$85,270 in cash and checking imprest accounts at multiple locations throughout the District.

B – RECEIVABLES

Receivables as of year-end for Metro Parks' individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts are as follows:

	General Fund	Bond Local Fund	Nonmajor Governmental Funds	Boathouse Marina	Zoological & Environmental Education	Nonmajor Proprietary Funds	Total
Receivables							
Accounts	\$ 481,157	\$ -	\$ -	\$ 100	\$ 709,394	\$ 37,502	\$ 1,228,153
Taxes	804,043	-	248,158	-	1,213,982	-	2,266,183
Intergovernmental	110,247	304,666	246,010	-	584,593	10,504	1,256,021
Pledges	-	-	-	-	88,485	-	88,485
Gross Receivables	\$ 1,395,447	\$ 304,666	\$ 494,168	\$ 100	\$ 2,596,455	\$ 48,006	\$ 4,838,841
Less: Allowance for Uncollectible	(251,403)	-	-	-	-	(33,340)	(284,743)
Total	\$ 1,144,043	\$ 304,666	\$ 494,168	\$ 100	\$ 2,596,455	\$ 14,667	\$ 4,554,098

C – CAPITAL ASSETS

Governmental assets with a net book value of \$281,387 and business-type assets with a net book value of \$163,560 were retired during 2014.

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

<i>Governmental Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 36,042,799	\$ -	\$ -	\$ 36,042,799
Collections	567,168	-	-	567,168
Construction in progress	29,010,393	4,054,306	25,068,610	7,996,088
Total capital assets not being depreciated	\$ 65,620,360	\$ 4,054,306	\$ 25,068,610	\$ 44,606,055
Capital assets being depreciated:				
Buildings	\$ 43,172,871	\$ 9,751,193	\$ 1,136,386	\$ 51,787,678
Infrastructure	40,613,358	15,205,821	648,802	55,170,377
Machinery, equipment, and vehicles	10,195,573	282,212	405,098	10,072,687
Total capital assets being depreciated	\$ 93,981,801	\$ 25,239,226	\$ 2,190,286	\$ 117,030,741
Less accumulated depreciation for:				
Buildings	\$ (11,954,679)	\$ (1,709,074)	\$ (941,986)	\$ (12,721,767)
Infrastructure	(16,460,841)	(2,783,432)	(567,417)	(18,676,856)
Machinery, equipment, and vehicles	(5,090,886)	(826,885)	(399,496)	(5,518,275)
Total accumulated depreciation	\$ (33,506,407)	\$ (5,319,391)	\$ (1,908,899)	\$ (36,916,899)
Total capital assets being depreciated, net	\$ 60,475,395	\$ 19,919,835	\$ 281,387	\$ 80,113,843
Governmental activities capital assets, net	\$ 126,095,755	\$ 23,974,141	\$ 25,349,997	\$ 124,719,898

<i>Business-type Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,442,712	\$ -	\$ -	\$ 4,442,712
Collections	43,250	13,140	-	56,390
Construction in progress	1,680,485	348,972	526,742	1,502,715
Total capital assets not being depreciated	\$ 6,166,447	\$ 362,112	\$ 526,742	\$ 6,001,817
Capital assets being depreciated:				
Buildings	\$ 37,138,480	\$ 269,589	\$ 118,067	\$ 37,290,002
Infrastructure	33,998,776	-	268,710	33,730,066
Machinery, equipment, and vehicles	8,905,730	282,332	215,941	8,972,121
Total capital assets being depreciated	\$ 80,042,986	\$ 551,921	\$ 602,718	\$ 79,992,189
Less accumulated depreciation for:				
Buildings	\$ (16,056,952)	\$ (1,017,851)	\$ (38,536)	\$ (17,036,267)
Infrastructure	(12,480,640)	(1,025,316)	(187,199)	(13,318,757)
Machinery, equipment, and vehicles	(6,214,916)	(369,675)	(213,737)	(6,370,854)
Total accumulated depreciation	\$ (34,752,508)	\$ (2,412,842)	\$ (439,472)	\$ (36,725,878)
Total capital assets being depreciated, net	\$ 45,290,478	\$ (1,860,921)	\$ 163,246	\$ 43,266,311
Business-type activities capital assets, net	\$ 51,456,925	\$ (1,498,809)	\$ 689,988	\$ 49,268,128

Depreciation expense was charged to programs as follows:

<i>Governmental activities:</i>	
General Government	\$ 60,632
Parks and Natural Resources	4,859,056
Recreation and Community Services	318,087
Zoological and Environmental Education	81,616
Total depreciation expense - governmental activities	\$ 5,319,391
<i>Business-type activities:</i>	
Boathouse Marina	\$ 319,572
Meadow Park Golf Course	137,545
Zoological and Environmental Education	1,955,725
Total depreciation expense - business-type activities	\$ 2,412,842

D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at December 31, 2014 is as follows:

Interfund receivables / payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>				<u>Total Receivable</u>
	<u>Meadow Park Golf Course</u>	<u>Energy Projects</u>	<u>Zoological & Environmental Education</u>	<u>Equipment Rental</u>	
General Fund	\$ 440,000	-	-	-	\$ 440,000
2010 Bond Projects	-	440,000	-	-	440,000
Bond Local Fund	-	-	88,485	-	88,485
Boathouse Marina	-	-	-	7,693	7,693
Zoological & Environmental Education	-	-	-	179,486	179,486
Meadow Park Golf Course	-	-	-	158,146	158,146
Total Payable	\$ 440,000	\$ 440,000	\$ 88,485	\$ 345,325	\$ 1,313,810

The General Fund and the 2010 Bond Projects fund have given 30 day operating loans to the funds indicated. The Bond Local fund receivable represents the balance on a five year loan for capital construction. The amounts due to Boathouse Marina, Zoological & Environmental Education and Meadow Park Golf Course denotes the “lookback adjustment” for the internal service funds.

Interfund cash transfers:

	Transfers In		
	General Fund	Nonmajor Governmental	Total
Transfers Out			Transfers Out
General Fund	\$ -	\$ 234,363	\$ 234,363
Bond Local Fund	-	5,279	5,279
Nonmajor Governmental	-	115,221	115,221
Boathouse Marina	14,180	-	14,180
Zoological & Environmental Education	252,689	40,857	293,546
Total Transfers In	\$ 266,869	\$ 395,720	\$ 662,589

The purpose of the transfers was to pay for General Fund overhead charges (\$266,869), debt service costs (\$390,441) and to fund capital projects (\$5,279).

E – LONG-TERM DEBT

1. General Obligation Bonds

Metro Parks issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of Metro Parks. These bonds generally are issued as 20 year serial bonds with varying principal amounts maturing each year.

Metro Parks has retained the services of Bank of New York Mellon Corporate Trust to determine the applicability of federal arbitrage regulations. There is currently no arbitrage liability.

General obligation bonds currently outstanding are as follows:

<i>Governmental activities</i>	Interest Rate	Original Amount	Outstanding
2005 Construction Bonds	4.00%-5.00%	\$ 15,000,000	\$ 9,045,000
2006 Construction Bonds	4.00%-5.25%	25,000,000	1,000,000
2008 Construction Bonds	3.50%-5.25%	19,210,000	11,060,000
2010 Construction Bonds	5.57%-6.35%	25,025,000	25,025,000
2012 Refunding Bonds	0.5%-4.00%	3,698,150	3,526,100
2014 Construction Bonds	2.00%-5.00%	33,400,000	33,400,000
2014 Refunding Bonds	3.00%-5.00%	18,040,000	18,040,000
Total Governmental activities		\$ 139,373,150	\$ 101,096,100
<i>Business-type activities</i>			
2005 Refunding Bonds	3.50%-5.00%	14,280,000	8,135,000
2012 Refunding Bonds	0.5%-4.00%	6,296,850	6,003,900
Total Business-type activities		\$ 20,576,850	\$ 14,138,900
Total General Obligation Bonds		\$ 159,950,000	\$ 115,235,000

Annual debt service requirements to maturity for general obligation bonds are as follows. Because the 2010 General Obligation Bonds are "Build America Bonds", the federal government will be paying \$7.7 million of the interest on those bonds.

Year ending December 31	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 11,873,200	\$ 4,486,884	\$ 1,436,800	\$ 588,543	\$ 18,385,427
2016	12,333,800	4,222,820	1,406,200	534,340	18,497,160
2017	2,577,500	3,850,222	1,507,500	480,320	8,415,542
2018	3,356,000	3,754,605	1,629,000	414,749	9,154,354
2019	2,115,800	3,622,375	1,749,200	343,379	7,830,754
2020-2024	24,629,800	15,772,934	5,780,200	629,186	46,812,120
2025-2029	31,085,000	8,212,089	630,000	18,900	39,945,989
2030-2034	13,125,000	1,126,325	-	-	14,251,325
	\$ 101,096,100	\$ 45,048,254	\$ 14,138,900	\$ 3,009,416	\$ 163,292,670

2. Notes Payable

In 1996, the City of Tacoma provided \$1,125,000 for construction at the Center at Norpoint. These obligations were set up as two long-term notes payable. The \$750,000 note was repaid in 2003 with the proceeds from the 2002 General Obligation Bonds. The remaining \$375,000 note is a zero-interest loan that is being paid over twenty years. \$37,500 was outstanding at December 31, 2014.

The Equipment Rental Internal Service fund borrowed \$280,500 in 2007, \$99,287 in 2009, \$587,000 in 2010, and \$521,672 in 2011 for the purchase of equipment and vehicles for all funds. Of that amount, \$280,500 is to be repaid over ten years and carries a 4.40% interest rate. The rest is payable over five years with \$99,287 at 3.66% interest, \$587,000 at 2.35% interest, and \$521,672 at 1.51%. At year end, \$361,954 was outstanding.

In 2011, Metro Parks borrowed money for design and implementation of energy saving projects including equipment. The loan is in two parts - \$3,750,000 over 12 years at 2.82% interest and \$930,000 over 15 years at 3.24% interest. \$3,750,000 was outstanding at December 31, 2014.

The Boathouse Marina fund borrowed \$285,000 in 2010 to replace the Boathouse roof. This note is payable over ten years and carries an interest rate of 3.54%. At year end \$185,000 was outstanding.

In 2012, the Zoological & Environmental Education fund borrowed \$160,000 to repair roofing at Northwest Trek. This note is payable over 20 years and carries an interest rate of 3.98%. \$150,000 was outstanding at December 31, 2014.

In 2012, the General Fund borrowed \$575,576 to fund fitness equipment. The loan is in two parts - \$376,646 over four years at 3.06% interest and \$198,930 over six years at 3.49% interest. \$257,040 was outstanding at December 31, 2014.

The annual debt service requirements to maturity for the notes payable are as follows:

Year ending December 31	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 591,683	\$ 127,609	\$ 123,537	\$ 63,122	\$ 905,951
2016	488,490	111,256	129,913	60,166	789,825
2017	311,382	93,813	131,289	54,070	590,554
2018	286,844	82,391	138,354	48,919	556,508
2019	280,270	71,016	139,730	43,459	534,475
2020-2024	1,259,959	157,468	620,042	128,056	2,165,525
2025-2029	-	-	210,000	19,463	229,463
2029-2033	-	-	30,000	1,625	31,625
	\$ 3,218,628	\$ 643,553	\$ 1,522,865	\$ 418,880	\$ 5,803,926

3. Refunded Debt

In 2012 Metro Parks issued \$9,995,000 of general obligation refunding bonds for the purpose of generating resources for future debt service payments on \$9,690,000 of refunded debt. The proceeds were placed in an irrevocable trust. The refunding bonds partially refunded three separate bonds – 2003 GO Bonds (\$3,395,000); 2005 GO Bonds (\$3,560,000); and 2005 GO Refunding (\$2,735,000). The partially refunded portions of these bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$951,956 and resulted in an economic gain of \$845,556. The escrow account balance at December 31, 2014 was \$6,576,316.

In 2014 Metro Parks issued \$18,040,000 of general obligation refunding bonds for the purposes of generating resources for future debt service payments on \$19,640,000 of refunded debt. The proceeds were placed in an irrevocable trust. The refunding bonds partially refunded the 2006 GO Bonds. The partially refunded portions of these bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$2,371,469 and resulted in an economic gain of \$2,073,104. The escrow account balance at December 31, 2014 was \$21,281,869.

4. Bond Rating

On October 13, 2014, Moody's Investors Service affirmed its Global Scale Rating of "Aa2" on all of Metro Parks' outstanding Unlimited Tax General Obligation Bonds.

On October 13, 2014, Standard & Poor's Corporation affirmed its "AA" rating on all of Metro Parks' outstanding Unlimited Tax General Obligation Bonds.

5. Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 70,525,600	\$ 51,440,000	\$ 20,869,500	\$ 101,096,100	\$ 11,873,200
Plus premiums deferred	321,570	5,250,965	43,561	5,528,974	761,560
Notes Payable	3,867,818	-	649,190	3,218,628	591,683
Plus premiums deferred	12,266	-	6,193	6,073	4,109
Compensated Absences	1,860,453	933,998	993,077	1,801,374	1,045,235
Governmental Activities - Long-term Liabilities	\$ 76,587,706	\$ 57,624,963	\$ 22,561,521	\$ 111,651,148	\$ 14,275,787
<i>Business-type Activities</i>					
General Obligation Bonds	\$ 15,474,400	\$ -	\$ 1,335,500	\$ 14,138,900	\$ 1,436,800
Plus premiums deferred	660,215	-	104,976	555,239	97,638
Notes Payable	1,640,714	-	117,849	1,522,865	126,505
Plus premiums deferred	90,071	-	13,891	76,180	12,848
Compensated Absences	1,081,894	629,443	599,458	1,111,879	686,702
Business-type Activities - Long-term Liabilities	\$ 18,947,294	\$ 629,443	\$ 2,171,674	\$ 17,405,063	\$ 2,360,493

F – OPERATING LEASES

Metro Parks has entered into operating leases with various vendors for the rental of copy machines and other equipment. These agreements allow Metro Parks to cancel the leases with appropriate notice. The amounts paid on the leases are not significant to any single operating unit or to Metro Parks as a whole.

G – RESTRICTED ASSETS

Certain assets are restricted for specific purposes under provisions of various bond indentures. There are no restricted assets in the governmental funds. Assets are restricted for debt service in the enterprise funds as follows:

Purpose	Amount
Cash and cash equivalents for debt service	\$ 10,302
Bond related taxes receivable	7,085
Total Business-activity Restricted Assets	\$ 17,387

H – CONTINGENCIES AND LITIGATIONS

Metro Parks is the owner of approximately 23 acres of property constituting a breakwater peninsula along the western shore of Commencement Bay (the “breakwater peninsula”). The property was created by Asarco as it dumped slag from its copper smelting operation into the bay. Slag has elements of arsenic and lead, both of which are considered hazardous substances by the Environmental Protection Agency (EPA).

In the 1990s, the EPA tested the Asarco site and surrounding properties and discovered hazardous substances at levels requiring a cleanup. The EPA then established the boundaries of the Asarco Tacoma Smelter Superfund Site, which includes Metro Parks’ breakwater peninsula, and issued a Record of Decision describing the remediation alternatives for the site.

In January 1997, Metro Parks, Asarco, the City of Tacoma, and the Town of Ruston executed the "Definitive Agreement" requiring Asarco to negotiate a consent decree with the EPA and to design and implement a remediation plan to redevelop the Asarco and Metro Parks' sites. Before performing its obligations, Asarco filed bankruptcy. Asarco subsequently received a discharge from the Bankruptcy Court and is no longer obligated to perform under the Definitive Agreement.

In 2009, Asarco sold its Tacoma property to a residential developer, Point Ruston LLC, who is responsible for remediating the Asarco property and a portion of the Metro Parks' property. Point Ruston and Metro Parks entered into an agreement to remediate a significant portion of the breakwater peninsula and that work has been completed. Metro Parks is currently negotiating with the EPA to establish a cooperative agreement where Metro Parks and the EPA will jointly fund the remaining remedial work on the breakwater peninsula. However, the cooperative agreement will not include remediation of the yacht basin, which is between the breakwater peninsula and the shore. The EPA's Record of Decision requires the yacht basin to be remediated.

Metro Parks cannot at this time quantify the remediation costs.

NOTE 5 – OTHER INFORMATION

A – RISK MANAGEMENT

Metro Parks is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 175 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, Metro Parks has a \$25,000 deductible. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The current limits of coverage for Metro Parks are:

Limits		Limits	
<u>Property Insurance:</u>		<u>Liability Insurance:</u>	
Property Pool	\$ 300,000,000	General Liability, Automobile	\$ 20,000,000
Flood Pool	\$ 100,000,000	Liability, Stop-Gap coverage,	
Earthquake Pool	\$ 150,000,000	& Employee Benefits Liability	
Unscheduled Infrastructure -		Crime & Fidelity	\$ 2,500,000
tunnels, bridges, streets, etc.	\$ 1,000,000	Public Officials and	
Specific Auto Physical Damage	Replacement	Employment Practice Liability	\$ 20,000,000

There are a limited number of general liability claims against Metro Parks, all of which are deemed to be of limited significance in light of the insurance coverage. There have been no settlements exceeding insurance coverage for the last three years and prior.

B – EMPLOYEE RETIREMENT SYSTEM

Substantially all Metro Parks' full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) administered by the Washington State Department of Retirement Systems. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Plan Description - PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. The state Legislature established PERS in 1947 under Chapter 41.40 RCW. Membership in the system includes elected officials; state employees, employees of the Supreme, Appeals, and Superior courts (other than judges), employees of legislative committees, community and technical colleges, college and university employees not in national higher education retirement programs, judges of district and municipal courts, and employees of local government. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Participants who joined the system by September 30, 1977, are Plan 1 members. Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is two percent of the average final compensation (AFC) per year of service, capped at sixty percent. The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased three percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Participants who joined the system between October 1, 1977 and August 31, 2001 are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent per year of service of the AFC. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to age 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit and a cost of living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Participants joining the system after September 1, 2002 have the irrevocable option of choosing membership in either Plan 2 or Plan 3. Participants who fail to choose within 90 days default to Plan 3. Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Funding Policy - Each biennium the state Pension Funding Council establishes employer contribution rates for all three plans and the employee contribution rate for Plan 2. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from five to fifteen percent; two of the options are graduated rates dependent on the employee's age.

Annual Pension Costs – The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2014, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%
Employee	6.00%	4.92%	***

* The employer rates include the employer administrative expense fee of 0.18% .

** Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the member.

Both Metro Parks and employees made the required contributions. Metro Parks' required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	\$ 72,762	\$ 1,059,654	\$ 695,325
2013	\$ 63,737	\$ 932,222	\$ 536,562
2012	\$ 57,041	\$ 832,002	\$ 458,072

C – DEFERRED COMPENSATION

Metro Parks offers its employees a deferred compensation plan through third party vendors in accordance with Internal Revenue Code Section 457. The plan, available to all career employees, permits them to defer a portion of their salary until future years. At December 31, 2014, \$7,709,227 was being held in these third party accounts.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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