



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements and Federal Single Audit  
Report**

**Metropolitan Park District of Tacoma**

**Pierce County**

**For the period January 1, 2017 through December 31, 2017**

**Published September 17, 2018**

**Report No. 1022062**





**Office of the Washington State Auditor  
Pat McCarthy**

September 17, 2018

Board of Commissioners  
Metropolitan Park District of Tacoma  
Tacoma, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Metropolitan Park District of Tacoma's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Summary Schedule of Prior Audit Findings .....	9
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.....	11
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	14
Independent Auditor's Report on Financial Statements.....	17
Financial Section.....	21
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	71
About the State Auditor's Office.....	72

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Metropolitan Park District of Tacoma  
Pierce County  
January 1, 2017 through December 31, 2017**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Metropolitan Park District of Tacoma are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
15.916	Outdoor Recreation Acquisition, Development and Planning
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

See finding 2017-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Metropolitan Park District of Tacoma

### Pierce County

January 1, 2017 through December 31, 2017

**2017-001 The District's internal controls over financial statement preparation for its component unit, Eastside Community Center QUALIC B, were inadequate to ensure accurate and complete reporting.**

#### *Background*

District management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are fairly presented and to provide reasonable assurance regarding the reliability of financial reporting. The District prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Eastside Community Center QUALIC B is a component unit of Metropolitan Park District of Tacoma (District Component Unit). It was established in April 2017 for the purposes of using New Market Tax credits to finance construction of a new Eastside Community Center (Center). All construction costs related to the Center are paid out of the District Component Unit's accounts. District staff are responsible for maintaining accurate accounting records and preparation of financial statement of the District Component Unit's activities and reporting them as a component unit within the District's financial statements.

Our audit identified a material weakness in controls over financial reporting for the District Component Unit, which hindered the District's ability to produce reliable financial statements.

*Government Auditing Standards* requires the auditor to communicate material weaknesses, defined in the Applicable Laws and Regulations section below, as a finding.

#### *Description of Condition*

At fiscal year-end, the District prepares the District Component Unit's annual financial statements, which are audited by an independent certified public accounting firm.

The audit identified several errors related to the reporting of Construction in Progress and the corresponding revenue and expenditure balances.

### ***Cause of Condition***

Before the 2017 financial statements were prepared, the District experienced a transition in key staff responsible for preparing and reviewing the District Component Unit's statements. This was complex due to the nature of activities and type of entity.

### ***Effect of Condition***

The District Component Unit understated the following accounts:

Construction in progress by \$6,813,247

Contributed revenues by \$3,294,028

Construction expenditures by \$3,519,219

The identified misstatements were material to the District Component Unit's financial statements. However, the District Component Unit corrected the errors and received an unmodified opinion on the financial statements.

### ***Recommendation***

We recommend the District improve internal controls over the financial statement preparation and review processes to ensure they are effective in producing financial statements that are accurate and complete.

### ***District's Response***

*Metropolitan Park District of Tacoma (MPT) understands the importance of adequate internal controls to ensure accurate and complete reporting. The ECC QALIC B component unit is a new and complicated structure to MPT and took a significant amount of time researching proper accounting reporting requirements according to GASB. Additionally, the timing of key staff turnover responsible for preparing and reviewing financial transactions for ECC QALIC B contributed to the delayed posting of project costs. The missing transactions were verified and corrected immediately and are now incorporated as part of the final audited financial statements. ECC QALIC B's financial activities are now being monitored by the District's new Controller, including performing monthly bank reconciliations.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265.

RCW 43.09.200 Local government accounting – Uniform system of accounting.

*The Budgeting, Accounting, and Reporting System (BARS)* Manual, 3.1.3, Internal Control.





## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Metropolitan Parks District of Tacoma Pierce County 1/1/2016 through 12/31/2016

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> 1/1/2016 to 12/31/2016	<b>Report Ref. No.:</b> 1019648	<b>Finding Ref. No.:</b> 2016-001	<b>CFDA Number(s):</b> 66.802
<b>Federal Program Name and Granting Agency:</b> State Superfund Site/Tribal Site Cooperative Agreement – U.S. Environmental Protection Agency		<b>Pass-Through Agency Name:</b> None	
<b>Finding Caption:</b> The District did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) and suspension and debarment requirements.			
<b>Background:</b> During fiscal year 2016, the district spent \$9,284,294 through the Superfund Site Cooperative Agreement (CFDA 66.802).  Per the compliance supplement, the district is required to meet Davis Bacon (Prevailing Wage) standards as well as Suspension and Debarment criterion.  The district did not have an adequate process in place to ensure that contractors and subcontractors working on federal grant-funded projects filed weekly-certified payroll reports (as required by the grant).  Additionally, the district did not obtain a written certification, insert a clause into the contract or review EPLS to verify the contractor was not suspended or debarred. As this was for one of three qualifying contracts, we considered this a material weakness.			
<b>Status of Corrective Action: (check one)</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>Metro Parks Tacoma (MPT) understands the importance of having proper controls in place to comply with the Davis-Bacon Act. Within the last two years, MPT has experienced turnover in</i>			

*key positions responsible for compliance functions. The instability in leadership created unintended consequences that resulted in a lack of training, understanding of roles and responsibilities and sufficient oversight. This also includes inserting more explicit language in the contractors/sub-contractors contracts on the requirements of the Davis-Bacon Act as specified in Title 29, U.S. Code of Federal Regulations (CFR), Section 5.5. Specific actions taken by MPT to ensure full compliance include:*

- *MPT drafted a contract amendment to include the full Davis-Bacon Act language as specified in the CFR. The contract was amended and fully executed by September 30, 2017.*
- *MPT included more explicit language from the Davis-Bacon Act in its Bid Instruction Manual under the Special Conditions section for future projects that may include Federal funds.*
- *MPT also included detailed Davis-Bacon language as part of the contract template for future use. This directly informs potential contractors and sub-contractors that the Davis-Bacon Act special condition is a contract requirement that cannot be negotiated.*
- *MPT obtained verification and certification that all contractors and sub-contractors, including public and governmental agencies, are not suspended or debarred from doing business with the Federal government per the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 180.*
- *MPT Staff, along with the Prime Contractor, continually perform weekly verification of payroll data. In collaboration with the Contractor, MPT staff now have direct electronic access to all Contractor's payroll data.*
- *After the audit in 2017 and parts of 2018, MPT has withheld payments to contractor multiple times when weekly payroll data were not provided and uploaded timely and accurately. MPT only released funds for payment after we've been able to verify full compliance.*

*Weekly discussions between MPT staff and the Prime Contractor include discussions to ensure payroll data are submitted and verified in a timely manner. MPT has the ability to withhold payments as a control and accountability measure to ensure that the Contractor and its sub-contractors are providing timely payroll data.*

**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, 2017 through December 31, 2017**

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, the aggregate discretely presented component units, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 27, 2018.

As discussed in Note 5 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements* and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. As discussed in Note 4 to the financial statements, during the year ended December 31, 2017, the District created a new component unit, Eastside Community Center QALICB, for the purposes of obtaining the New Market Tax Credit, and reported the Greater Metro Parks Foundation as a discretely presented component unit.

Our report includes a reference to other auditors who audited the financial statements of the Greater Metro Parks Foundation and Eastside Community Center QALIC B, as described in our report on the District's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Although the financial statements of the Greater Metro Parks Foundation and Eastside Community Center QUALIC B were not audited in accordance with Government Auditing Standard, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Greater Metro Parks Foundation or the Eastside Community Center QUALIC B, this report, insofar as it relates to material weaknesses in internal controls as defined below identified by the other auditors, is based solely on the reports of the other auditors.

## 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we and the other auditors identified certain deficiencies in internal control that we consider to be material weaknesses.

*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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be material weaknesses.

## 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*. However, we noted certain matters that we will report to the management of the District in a separate letter dated August 27, 2018.

## **DISTRICT'S RESPONSE TO FINDINGS**

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

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Pat McCarthy

State Auditor

Olympia, WA

August 27, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Metropolitan Park District of Tacoma  
Pierce County  
January 1, 2017 through December 31, 2017**

Board of Commissioners  
Metropolitan Park District of Tacoma  
Tacoma, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Metropolitan Park District of Tacoma, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

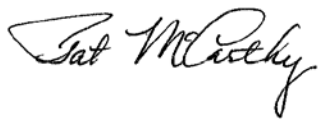
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 27, 2018



# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Metropolitan Park District of Tacoma Pierce County January 1, 2017 through December 31, 2017**

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, the aggregate discretely presented component units, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 21.

### **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 did not audit the financial statements of the Greater Metro Parks Foundation or the Eastside Community Center QUALIC B, which collectively represent 100 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Greater Metro Parks Foundation and Eastside Community Center QUALIC B, is based solely on the reports of the other auditors.

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. The financial statements of the Greater Metro Parks Foundation and Eastside Community Center QUALIC B were not audited in accordance with Government Auditing Standards.

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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, as of December 31, 2017, and the respective changes in financial position and 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.

## **Matters of Emphasis**

As discussed in Note 5 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements* and Statement No.82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to this matter.

As discussed in Note 4 to the financial statements, during the year ended December 31, 2017, the District created a new component unit, Eastside Community Center QALICB, for the purposes of obtaining the New Market Tax Credit, and reported the Greater Metro Parks Foundation as a discretely presented component unit. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 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 and the other auditors 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 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.

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Pat McCarthy  
State Auditor  
Olympia, WA

August 27, 2018

## **FINANCIAL SECTION**

**Metropolitan Park District of Tacoma  
Pierce County  
January 1, 2017 through December 31, 2017**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– General Fund – 2017

Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2017

Statement of Cash Flows – Proprietary Funds – 2017

Notes to Financial Statements – 2017

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2017

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2017. 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 2017 the assets and deferred outflows of resources of Metro Parks exceeded its liabilities and deferred inflows by \$124.9 million, an increase of \$6.3 million.
- District-wide revenues were \$93.7 million (up \$14.1 million) while expenses were \$61.9 million (down \$707 thousand). Revenue increases can be explained by a \$10.8 million increase in grants and contributions; a \$2.3 million increase in taxes to fund new general-obligation debt; a \$347 thousand increase in investment interest; and a \$500 thousand increase in charges for services due to an increase in program revenues throughout the district. The most significant intergovernmental grant was \$12.9 million from the United States Environmental Protection Agency for waterfront and trail development.
- At the close of 2017, Metro Parks' governmental funds reported a combined ending Fund Balance of \$20.9 million, a decrease of \$62.8 million from 2016. The significant decrease can be explained by \$85.3 million in capital outlay expenditures funded by prior year debt proceeds less \$19.4 million of intergovernmental capital grants received in 2017.
- At the close of 2017, Metro Parks' business-type activities reported a combined ending net position of \$35.0 million. This represents a very slight decrease of \$54 thousand from 2016, which indicates consistent revenue and expense trends.
- In accordance with Governmental Accounting Standards Board (GASB) Statement 63 certain deferred inflows and outflows are reported. The deferred charge on refunding was \$2.4 million at the end of 2017, reflecting a decrease due to amortization of prior balances. Total deferred outflows were \$5.1 million and include the amounts related to pensions, as described below.
- In accordance with GASB Statements 68 and 71 pension liabilities and related deferred inflows and outflows are reported on the statement of net position. Metro Parks' net pension liability as of December 31, 2017 totaled \$17.1 million. This amount includes a liability of \$17.1 million plus deferred inflows of \$2.7 million less deferred outflows of \$2.7 million.

## 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-one 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 2016 GO Debt Service Fund, the 2016 UTGO Bond Projects Fund and the 2014 Bond Local Projects Fund which are considered major funds. Data from the remaining seventeen 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) is Metro Parks' major enterprise fund. The other enterprise funds, Boathouse Marina and Meadow Park Golf Course, are considered nonmajor funds; however they are reported alongside the major fund.



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 (\$149.4 million) 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 (\$5.6 million) represents resources that are subject to external restrictions on how they may be used.

Governmental activities account for \$251.1 million (81.9%) of total assets and \$89.9 million (72.0%) of total net position. Business-type activities account for \$55.5 million (18.1%) of total assets and \$35.0 million (28.0%) of total net position.

Capital asset accounts increased \$52.2 million in 2017 mainly due to bond-funded capital projects. Current assets decreased by \$65.6 million, mainly due to capital outlay expenditures.

#### CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 28,010,158	\$ 94,068,431	\$ 9,350,736	\$ 8,892,656	\$ 37,360,894	\$ 102,961,087
Capital Assets	223,105,410	168,979,598	46,157,578	48,059,526	269,262,988	217,039,124
Total Assets	\$ 251,115,568	\$ 263,048,029	\$ 55,508,314	\$ 56,952,182	\$ 306,623,882	\$ 320,000,211
Deferred Outflows of Resources	\$ 3,655,401	\$ 4,794,124	\$ 1,451,623	\$ 2,093,352	\$ 5,107,024	\$ 6,887,476
Long-term Liabilities Outstanding	\$ 157,975,355	\$ 174,994,862	\$ 19,185,194	\$ 22,403,422	\$ 177,160,549	\$ 197,398,284
Other Liabilities	5,296,131	9,084,948	1,623,482	1,477,804	6,919,613	10,562,752
Total Liabilities	\$ 163,271,486	\$ 184,079,810	\$ 20,808,676	\$ 23,881,226	\$ 184,080,162	\$ 207,961,036
Deferred Inflows of Resources	\$ 1,620,387	\$ 290,030	\$ 1,132,369	\$ 91,713	\$ 2,752,756	\$ 381,743
Net Position:						
Net Investment in Capital						
Assets	\$ 116,568,787	\$ 85,965,000	\$ 35,482,014	\$ 36,420,244	\$ 149,382,168	\$ 119,875,816
Restricted	5,559,827	4,846,743	602	2,932	5,560,429	4,849,675
Unrestricted	(32,249,518)	(7,339,430)	(463,724)	(1,350,581)	(30,044,609)	(6,180,583)
Total Net Position	\$ 89,879,096	\$ 83,472,313	\$ 35,018,892	\$ 35,072,595	\$ 124,897,988	\$ 118,544,908

**GOVERNMENTAL ACTIVITIES:** Overall total revenues exceeded expenses before transfers in governmental activities by \$32.1 million. Governmental activities were funded by program revenues of \$31.9 million (47.2%) and general revenues (primarily taxes) of \$35.7 million (52.8%). Parks and Natural Resources and Planning and Development more heavily supported by general revenues (72% and 100%, respectively) than General Government and Recreation and Community Services (-110% and 34.7%, respectively).

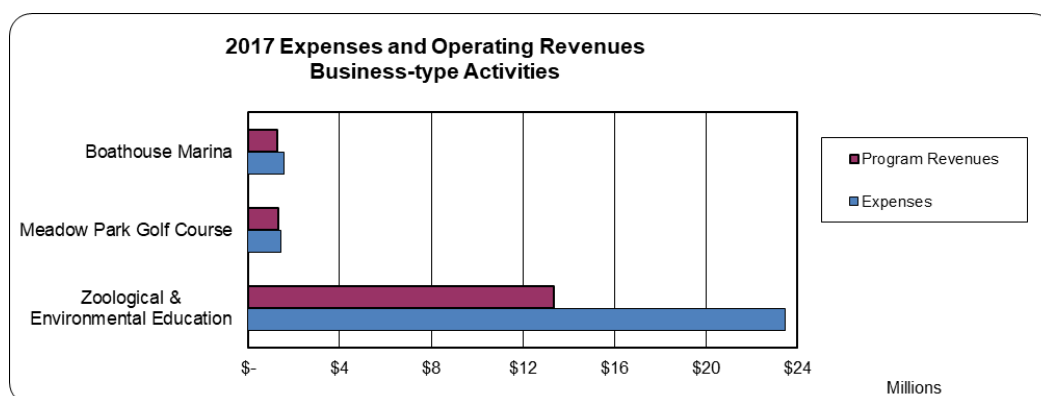
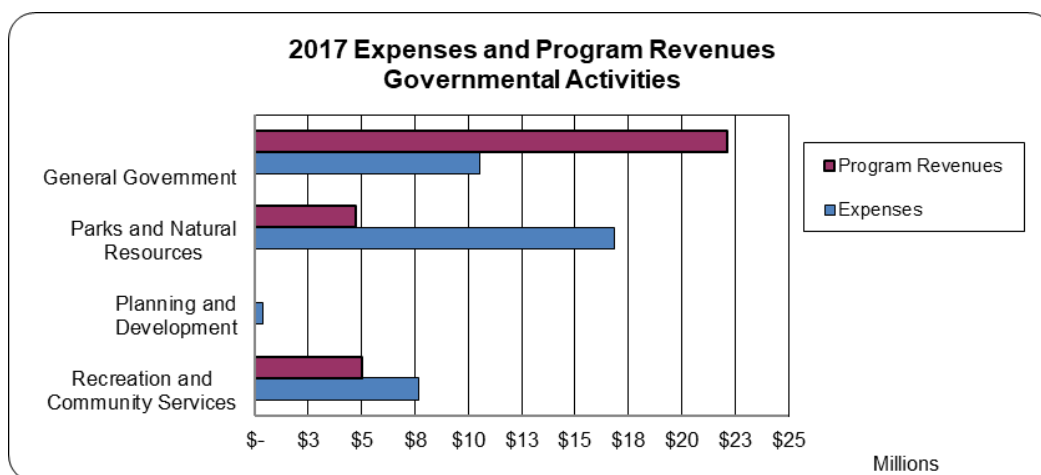
Transfers netting to \$292 thousand were made for debt service and capital purposes. These transfers decreased the net position in governmental activities and increased the net position in business-type activities.

A special item totaling \$25.4 million was reported to reflect the transfer of a partially completed community center to a non-profit organization.

**BUSINESS-TYPE ACTIVITIES:** Net position before transfers in business-type activities increased by \$150 thousand from 2016. Most of this change was due to increased tax revenue in the Zoological and Environmental Education Fund, less decreases in operating expenses.

CONDENSED STATEMENT OF CHANGES IN NET POSITION						
Summary of Activities	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues</b>						
Charges for Services	\$ 6,776,081	\$ 6,128,384	\$ 15,283,045	\$ 15,383,847	\$ 22,059,126	\$ 21,512,231
Operating Grants & Contributions	3,643,275	3,369,325	688,089	944,633	4,331,364	4,313,958
Capital Grants & Contributions	21,437,736	10,631,503	-	-	21,437,736	10,631,503
<b>General Revenues</b>						
Total Taxes	34,785,538	33,099,606	9,806,905	9,181,089	44,592,443	42,280,695
Investment Earnings	471,356	123,324	-	-	471,356	123,324
Disposition of Capital Assets	-	-	-	18,065	-	18,065
Donated Capital Assets	-	-	-	-	-	-
Miscellaneous Revenue	427,848	452,388	346,654	281,551	774,502	733,939
<b>Total Revenues</b>	<b>\$ 67,541,834</b>	<b>\$ 53,804,530</b>	<b>\$ 26,124,693</b>	<b>\$ 25,809,185</b>	<b>\$ 93,666,527</b>	<b>\$ 79,613,715</b>
<b>Expenses</b>						
General Government	\$ 10,539,199	\$ 10,441,128	\$ -	\$ -	\$ 10,539,199	\$ 10,441,128
Parks and Natural Resources	16,833,335	17,439,758	-	-	16,833,335	17,439,758
Planning and Development	395,652	482,462	-	-	395,652	482,462
Recreation & Community Services	7,669,838	7,947,700	-	-	7,669,838	7,947,700
Marina Activities	-	-	1,593,923	1,325,757	1,593,923	1,325,757
Golf Course Activities	-	-	1,417,152	1,355,172	1,417,152	1,355,172
Zoological Activities	-	-	23,459,256	23,623,650	23,459,256	23,623,650
<b>Total Expenses</b>	<b>\$ 35,438,024</b>	<b>\$ 36,311,048</b>	<b>\$ 26,470,331</b>	<b>\$ 26,304,579</b>	<b>\$ 61,908,355</b>	<b>\$ 62,615,627</b>
<b>Increase (Decrease) in net position before transfers</b>	<b>\$ 32,103,810</b>	<b>\$ 17,493,482</b>	<b>\$ (345,638)</b>	<b>\$ (495,394)</b>	<b>\$ 31,758,172</b>	<b>\$ 16,998,088</b>
Special Item	\$ (25,429,024)	\$ -	\$ -	\$ -	\$ (25,429,024)	\$ -
Transfers In (Out)	\$ (291,935)	\$ (2,401,993)	\$ 291,935	\$ 2,401,993	\$ -	\$ -
<b>Increase (Decrease) in net position</b>	<b>\$ 6,382,851</b>	<b>\$ 15,091,489</b>	<b>\$ (53,703)</b>	<b>\$ 1,906,599</b>	<b>\$ 6,329,148</b>	<b>\$ 16,998,088</b>
<b>Change in Net Position</b>						
Beginning Net Position	\$ 83,496,245	\$ 68,380,824	\$ 35,072,595	\$ 33,165,996	\$ 118,568,840	\$ 101,546,820
Increase (Decrease) in net position	6,382,851	15,091,489	(53,703)	1,906,599	6,329,148	16,998,088
<b>Ending Net Position</b>	<b>\$ 89,879,096</b>	<b>\$ 83,472,313</b>	<b>\$ 35,018,892</b>	<b>\$ 35,072,595</b>	<b>\$ 124,897,988</b>	<b>\$ 118,544,908</b>

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



## FINANCIAL ANALYSIS OF MAJOR 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 2017, the unassigned Fund Balance of the General Fund was \$6.9 million, an increase of \$1.4 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 26% of total expenditures.

The other major governmental funds of Metro Parks are the 2016 GO Debt Service fund, the 2016 UTGO Bond Projects fund and the 2014 Bond Local Projects fund. The 2016 GO Debt Service fund and the 2014 Bond Local Projects funds were determined to be a major funds due to the amount of revenues reported. The 2016 UTGO Bond Projects was determined to be a major fund due to the assets, liabilities and expenditures reported.

**Revenues and Other Financing Sources.** The main revenue source for the General Fund is taxes, which accounts for \$17.3 million (61.7%) of revenues. Property tax revenues increased by 3.6% from 2016 to 2017 while sales tax increased by 7.2%. Other significant revenue sources include intergovernmental revenues of \$3.1 million and charges for services revenue of \$6.7 million. Intergovernmental revenues remained constant from the prior year, however charges for services increased significantly (10.6%) due to increased recreational programming. Property taxes account for \$13.2 million (99.8%) of revenues in the 2016 GO Debt Service fund. The 2016 UTGO Bond Projects fund and 2014 Bond Local Projects fund received most funding from intergovernmental revenue in 2017 (\$970 thousand and \$18.4 million, respectively). Funding sources for debt service and capital projects funds vary greatly from year to year based on required debt service payments and the status of various capital projects.

**Expenditures and Other Financing Uses.** General fund expenditures increased by \$558 thousand (2.1%) from \$26.1 million in 2016 to \$26.6 million in 2017. This slight increase represents normal and expected increases in the cost of salaries/benefits and other ongoing operating expenditures. 2016 GO Debt Service fund expenditures represent principal and interest payments on long-term debt totaling \$12.4 million. 2016 UTGO Bond Projects fund and 2014 Bond Local Projects fund expenditures represent capital outlay of \$40.5 million and \$18.4 million, respectively. As noted above, expenditures in debt service and capital projects funds vary greatly year to year.

## 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 a major enterprise fund. Charges for admissions totaling \$12.7 million represent 100% of operating revenue. Operating revenue remained consistent from 2016 to 2017. Non-operating revenues total \$10.9 million and include sales taxes of \$8.5 million and property taxes of \$1.3 million. Tax revenue increased by \$625 thousand or 6.8% from 2016 due to positive market conditions. Operating expenses total \$23.3 million, of which \$2.1 million (9.0%) is depreciation expense. Operating expenses increased by less than 1% from 2016. Interest expense of \$443 thousand represents much of total non-operating expenses.

The Boathouse Marina and Meadow Park Golf Course funds are also major funds and are presented alongside the Zoological and Environmental Education fund rather than being combined. Each fund reported operating revenues of \$1.3 million. For the Boathouse Marina, this represents a 24.6% increase over 2016 due to the Tacoma Outboard Association lease termination at Titlow boat launch. The Marina was at the receiving end of unanticipated realized additional income as a result. For the Meadow Park Golf Course Fund, this represents a 4.4% increase over 2016 due to increase admissions. Boathouse Marina operating expenses increased from \$1.3 million in 2016 to \$1.6 million in 2017 due to increased costs of programming, which are offset by increased revenues noted above. Meadow Park Golf Course operating expenses increased very slightly from \$1.4 million in 2016 to \$1.5 million in 2017 due to normal general inflation increases.

## GENERAL FUND BUDGETARY HIGHLIGHTS

**Budget Comparisons.** Metro Parks adopted a biennial budget covering the 2017 and 2018 calendar years. This budget adopted by the Board of Park Commissioners for the General Fund anticipated revenues and transfers of \$57.5 million. With appropriations set at \$57.9 million, fund balance would decrease by \$387 thousand. There were no budget amendments in 2017.

The variance of 2017 actual revenues and expenses with the adopted budget equaled an excess of \$1.8 million. In 2017 revenue totaled 49.3% of the two-year budget while expenditures totaled 46%.

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 \$269.3 million at December 31, 2017. 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 increase in capital assets for Metro Parks was \$52.2 million in 2017. This increase represents spending of capital debt and capital grant proceeds on active construction projects including the Pacific Rim Aquarium (\$22.9 million) and Waterfront Phase 1 (32.1 million).
- Governmental activity capital assets represent 82.9% 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 17.1% of Metro Parks' net capital assets. The majority of these assets 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 2017 Metro Parks had total long-term liabilities outstanding of \$177.2 million; \$158.0 million in governmental activities (89.2%) and \$19.2 million in business-type activities (10.8%). 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 \$142.6 million; \$132.4 million in governmental activities and \$10.2 million in business-type activities, compared to \$160.3 million in governmental activities and \$12.1 million in business-type activities at the end of 2016. Outstanding debt decreased due to principal payments made in 2017.
- Notes payable decreased from \$67,870 at the end of 2016 to \$15,198 at the end of 2017 due to principal payments made in 2017. The balance is made up of one loan for the purchase of equipment.

## **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 Finance and Accounting Services, Metro Parks Tacoma, 4702 South 19<sup>th</sup> Street, Tacoma, WA 98405.

**METROPOLITAN PARK DISTRICT OF TACOMA**  
**Statement of Net Position**  
**December 31, 2017**

	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 12,209,576	\$ 6,762,285	\$ 18,971,861	23,610,887
Investments	10,000,000	-	10,000,000	-
Receivables (net)	6,027,210	2,191,338	8,218,548	19,155
Internal Balances	(318,541)	318,541	-	-
Inventories	91,913	77,970	169,883	-
Temporarily Restricted Assets:				
Cash	-	-	-	4,539,024
Investments	-	-	-	685,336
Receivables	-	602	602	2,098,349
Capital Assets (net of accumulated depreciation):				
Land	36,038,620	4,442,712	40,481,332	-
Buildings	35,473,433	17,837,201	53,310,634	-
Infrastructure	33,759,072	20,086,324	53,845,396	-
Equipment	3,069,101	2,131,744	5,200,845	-
Collections	567,169	265,674	832,843	-
Construction in Progress	114,198,015	1,393,923	115,591,938	13,439,359
<b>Total Assets</b>	<b>\$ 251,115,568</b>	<b>\$ 55,508,314</b>	<b>\$ 306,623,882</b>	<b>\$ 44,392,110</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	\$ 2,063,973	\$ 322,046	\$ 2,386,019	-
Deferred Outflows Related to Pensions	1,591,428	1,129,577	2,721,005	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,655,401</b>	<b>\$ 1,451,623</b>	<b>\$ 5,107,024</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 4,885,667	\$ 1,532,183	\$ 6,417,850	3,681,788
Unearned Revenue	342,678	85,160	427,838	-
Other Current Liabilities	67,786	6,139	73,925	-
Noncurrent Liabilities:				
Due within One Year	15,743,687	1,929,705	17,673,392	-
Due in More Than One Year	132,126,406	10,294,502	142,420,908	28,355,000
Pension Liability	10,105,262	6,960,987	17,066,249	-
<b>Total Liabilities</b>	<b>\$ 163,271,486</b>	<b>\$ 20,808,676</b>	<b>\$ 184,080,162</b>	<b>\$ 32,036,788</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	\$ 1,620,387	\$ 1,132,369	\$ 2,752,756	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,620,387</b>	<b>\$ 1,132,369</b>	<b>\$ 2,752,756</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 116,568,787	\$ 35,482,014	\$ 149,382,168	-
Restricted for:				
Debt Service	2,376,215	602	2,376,817	-
Capital Projects	3,102,428	-	3,102,428	-
Other	81,184	-	81,184	6,433,688
Unrestricted	(32,249,518)	(463,724)	(30,044,609)	5,921,634
<b>Total Net Position</b>	<b>\$ 89,879,096</b>	<b>\$ 35,018,892</b>	<b>\$ 124,897,988</b>	<b>\$ 12,355,322</b>

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, 2017**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue & Changes in Net Position			
	Expenses	Charges for Services	Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Component Units
<b>GOVERNMENTAL ACTIVITIES:</b>								
General Government	\$ 5,941,163	\$ 319,352	\$ 385,263	\$ 21,437,736	\$ 16,201,188	\$ -	\$ 16,201,188	\$ -
Parks and Natural Resources	16,833,335	2,044,877	2,658,574	-	(12,129,884)	-	(12,129,884)	-
Planning and Development	395,652	-	-	-	(395,652)	-	(395,652)	-
Recreation and Community Services	7,669,838	4,411,852	599,438	-	(2,658,548)	-	(2,658,548)	-
Interest on Long-term Debt	4,598,036	-	-	-	(4,598,036)	-	(4,598,036)	-
<b>Total Governmental Activities</b>	<b>\$ 35,438,024</b>	<b>\$ 6,776,081</b>	<b>\$ 3,643,275</b>	<b>\$ 21,437,736</b>	<b>\$ (3,580,932)</b>	<b>\$ -</b>	<b>\$ (3,580,932)</b>	<b>\$ -</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Boathouse Marina	\$ 1,593,923	\$ 1,272,283	\$ -	\$ -	\$ -	\$ (321,640)	\$ (321,640)	
Meadow Park Golf Course	1,417,152	1,325,430	-	-	-	(91,722)	(91,722)	
Zoological & Environmental Education	23,459,256	12,685,332	688,089	-	-	(10,085,835)	(10,085,835)	
<b>Total Business-type Activities</b>	<b>\$ 26,470,331</b>	<b>\$ 15,283,045</b>	<b>\$ 688,089</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,499,197)</b>	<b>\$ (10,499,197)</b>	<b>\$ -</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 61,908,355</b>	<b>\$ 22,059,126</b>	<b>\$ 4,331,364</b>	<b>\$ 21,437,736</b>	<b>\$ (3,580,932)</b>	<b>\$ (10,499,197)</b>	<b>\$ (14,080,129)</b>	<b>\$ -</b>
<b>COMPONENT UNITS</b>	<b>\$ 502,838</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,754,970</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,252,132</b>
<b>GENERAL REVENUES:</b>								
Property Taxes					\$ 32,450,802	\$ 1,310,272	\$ 33,761,074	-
Sales Taxes					2,083,806	8,496,633	10,580,439	-
Leasehold Excise Taxes					250,930	-	250,930	-
Investment Earnings					471,356	-	471,356	75,761
Miscellaneous General Revenues					427,848	346,654	774,502	2,000
Transfers					(291,935)	291,935	-	-
Special Item					(25,429,024)	-	(25,429,024)	-
<b>Total General Revenues, Transfers and Special Items</b>					<b>\$ 9,963,783</b>	<b>\$ 10,445,494</b>	<b>\$ 20,409,277</b>	<b>\$ 77,761</b>
<b>Change in Net Position</b>					<b>\$ 6,382,851</b>	<b>\$ (53,703)</b>	<b>\$ 6,329,148</b>	<b>\$ 8,329,893</b>
<b>Net Position - Beginning of Year</b>					<b>\$ 83,496,245</b>	<b>\$ 35,072,595</b>	<b>\$ 118,568,840</b>	<b>\$ 4,025,429</b>
<b>Net Position - End of Year</b>					<b>\$ 89,879,096</b>	<b>\$ 35,018,892</b>	<b>\$ 124,897,988</b>	<b>\$ 12,355,322</b>

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



**METROPOLITAN PARK DISTRICT OF TACOMA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

	General Fund	2016 GO Debt Service	2016 UTGO Bond Projects	2014 Bond Local Projects	Other Governmental Funds	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Cash & Cash Equivalents	\$ 7,476,857	\$ 790,867	\$ 982	\$ 202	\$ 2,064,041	\$ 10,332,949
Investments	-	-	10,000,000	-	-	10,000,000
Receivables (net)	1,032,764	214,601	970,000	3,544,154	265,691	6,027,210
Interfund Receivable	1,576,000	-	-	-	2,791,000	4,367,000
Inventories	91,913	-	-	-	-	91,913
<b>Total Assets</b>	<b>\$ 10,177,534</b>	<b>\$ 1,005,468</b>	<b>\$ 10,970,982</b>	<b>\$ 3,544,356</b>	<b>\$ 5,120,732</b>	<b>\$ 30,819,072</b>
<b>Deferred Outflows of Resources</b>						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 10,177,534</b>	<b>\$ 1,005,468</b>	<b>\$ 10,970,982</b>	<b>\$ 3,544,356</b>	<b>\$ 5,120,732</b>	<b>\$ 30,819,072</b>
<b>LIABILITIES</b>						
Accounts Payable/Accrued Expenditures	\$ 2,158,405	\$ -	\$ 1,776,179	\$ 279,660	\$ 576,740	\$ 4,790,984
Interfund Payable	-	-	1,632,000	1,159,000	1,226,000	4,017,000
Unearned Revenue	339,169	-	-	-	3,509	342,678
Deposits Payable	61,729	-	-	-	-	61,729
Other Current Liabilities	6,057	-	-	-	-	6,057
<b>Total Liabilities</b>	<b>\$ 2,565,360</b>	<b>\$ -</b>	<b>\$ 3,408,179</b>	<b>\$ 1,438,660</b>	<b>\$ 1,806,249</b>	<b>\$ 9,218,448</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Property Taxes	\$ 342,571	\$ 168,843	\$ -	\$ -	\$ 230,262	\$ 741,676
<b>Total Deferred Inflows of Resources</b>	<b>\$ 342,571</b>	<b>\$ 168,843</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 230,262</b>	<b>\$ 741,676</b>
<b>FUND BALANCES</b>						
<i>Nonspendable:</i>						
Inventory & Prepaids	\$ 91,913	\$ -	\$ -	\$ -	\$ -	\$ 91,913
<i>Restricted:</i>						
Debt Service	-	836,625	-	-	1,140,485	1,977,110
Capital Improvements	163,174	-	7,562,803	2,105,696	2,665,363	12,497,036
Other	81,184	-	-	-	-	81,184
<i>Assigned to:</i>						
Capital Projects Funds	-	-	-	-	500,362	500,362
<i>Unassigned</i>						
	6,933,332	-	-	-	(1,221,989)	5,711,343
<b>Total Fund Balances</b>	<b>\$ 7,269,603</b>	<b>\$ 836,625</b>	<b>\$ 7,562,803</b>	<b>\$ 2,105,696</b>	<b>\$ 3,084,221</b>	<b>\$ 20,858,948</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 10,177,534</b>	<b>\$ 1,005,468</b>	<b>\$ 10,970,982</b>	<b>\$ 3,544,356</b>	<b>\$ 5,120,732</b>	

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	\$ 36,038,620	
Buildings	53,268,908	
Infrastructure	61,217,278	
Machinery & Equipment	7,728,549	
Collections	567,169	
Construction in Progress	114,198,015	
Accumulated Depreciation	(50,983,380)	\$ 222,035,159

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

Bonds and Notes Payable	\$ (144,028,888)	
Net Pension Liability	\$ (10,134,221)	
Compensated Absences	(1,777,232)	\$ (155,940,341)

Property tax revenue earned but not received within 60 days of year-end, and therefore not available to pay current year liabilities, is reported as deferred inflows on the government statements, but is recognized as revenue on the government-wide statements.

\$ 741,676

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.

\$ 2,183,654

Net position of governmental activities

\$ 89,879,096

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, 2017**

	General Fund	2016 GO Debt Service	2016 UTGO Bond Projects	2014 Bond Local Projects	Other Governmental Funds	Total
<b>REVENUES</b>						
<i>Taxes:</i>						
Property Taxes	\$ 14,965,967	\$ 13,228,845	\$ -	\$ -	\$ 4,279,393	\$ 32,474,205
Sales Taxes	2,083,806	-	-	-	-	2,083,806
Leasehold Excise Taxes	250,930	-	-	-	-	250,930
Intergovernmental	3,116,730	-	969,999	18,434,614	-	22,521,343
Charges for Services	6,733,976	-	-	-	42,105	6,776,081
Investment Earnings	1,301	27,333	400,347	-	41,744	470,725
Contributions	526,545	-	-	2,033,123	-	2,559,668
Other Miscellaneous Revenue	362,413	-	-	-	66,066	428,479
<b>Total Revenues</b>	<b>\$ 28,041,668</b>	<b>\$ 13,256,178</b>	<b>\$ 1,370,346</b>	<b>\$ 20,467,737</b>	<b>\$ 4,429,308</b>	<b>\$ 67,565,237</b>
<b>EXPENDITURES</b>						
<i>Current:</i>						
General Government	\$ 6,132,398	\$ -	\$ 9,040	\$ -	\$ 1,901	\$ 6,143,339
Parks and Natural Resources	12,198,093	-	-	-	-	12,198,093
Planning and Development	461,315	-	-	-	-	461,315
Recreation and Community Services	7,748,122	-	-	-	-	7,748,122
<i>Debt Service:</i>						
Principal	35,590	9,310,000	-	-	3,095,700	12,441,290
Interest	1,164	3,109,600	-	-	2,905,695	6,016,459
Other Bond Costs	-	474	-	-	1,729	2,203
<i>Capital Outlay:</i>						
General Government	-	-	40,447,066	18,445,093	2,526,165	61,418,324
Parks and Natural Resources	53,381	-	-	-	-	53,381
<b>Total Expenditures</b>	<b>\$ 26,630,063</b>	<b>\$ 12,420,074</b>	<b>\$ 40,456,106</b>	<b>\$ 18,445,093</b>	<b>\$ 8,531,190</b>	<b>\$ 106,482,526</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>\$ 1,411,605</b>	<b>\$ 836,104</b>	<b>\$ (39,085,760)</b>	<b>\$ 2,022,644</b>	<b>\$ (4,101,882)</b>	<b>\$ (38,917,289)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	\$ 17	\$ -	\$ -	\$ -	\$ 17,159	\$ 17,176
Transfers Out	-	-	-	-	(16,891)	(16,891)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 17</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 268</b>	<b>\$ 285</b>
<b>Special Item</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (23,906,273)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (23,906,273)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,411,622</b>	<b>\$ 836,104</b>	<b>\$ (62,992,033)</b>	<b>\$ 2,022,644</b>	<b>\$ (4,101,614)</b>	<b>\$ (62,823,277)</b>
<b>Fund Balances - Beginning</b>	<b>\$ 5,857,981</b>	<b>\$ 521</b>	<b>\$ 70,554,836</b>	<b>\$ 83,052</b>	<b>\$ 7,185,835</b>	<b>\$ 83,682,225</b>
<b>Fund Balances - Ending</b>	<b>\$ 7,269,603</b>	<b>\$ 836,625</b>	<b>\$ 7,562,803</b>	<b>\$ 2,105,696</b>	<b>\$ 3,084,221</b>	<b>\$ 20,858,948</b>

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	\$ 61,471,705	
Depreciation	(5,362,627)	
Net Effect of Capital Assets Sold, Transferred or Retired	(1,814,971)	\$ 54,294,107

The repayment of long term debt principal consumes the current financial resources of governmental funds but does not effect net position 12,441,290

Certain portions of property tax revenues that do not provide current financial resources are reported as deferred inflows of resources in the governmental fund statements. Current year changes are recognized as revenue in the government-wide statement of activities. \$ (23,403)

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. Current year changes are recognized as expenses in the government-wide statement of activities. \$ 2,092,054

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. \$ 402,080

Change in net position of governmental activities \$ 6,382,851

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, 2017**

	<u>Budgeted Biennial Amounts</u>			Variance with
	Original	As Amended at 12/31/17	Actual Actual Through 12/31/17	Amended Budget - Positive / (Negative)
<b>REVENUES</b>				
<i>Taxes:</i>				
Property	\$ 30,515,372	\$ 30,515,372	\$ 14,965,967	\$ (15,549,405)
Sales	4,009,824	4,009,824	2,083,806	(1,926,018)
Leasehold Excise	-	-	250,930	250,930
Intergovernmental	8,105,969	8,105,969	3,116,730	(4,989,239)
Charges for Services	13,076,926	13,076,926	6,733,976	(6,342,950)
Investment Earnings	-	-	1,301	1,301
Contributions	1,171,246	1,171,246	526,545	(644,701)
Other Miscellaneous Revenue	-	-	362,413	362,413
<b>Total Revenues</b>	<b>\$ 56,879,337</b>	<b>\$ 56,879,337</b>	<b>\$ 28,041,668</b>	<b>\$ (28,837,669)</b>
<i>Percentage received through 12/31/17</i>			<i>49.3%</i>	
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Government	\$ 13,026,628	\$ 13,026,628	\$ 6,132,398	\$ 6,894,230
Planning and Development	1,021,716	1,021,716	461,315	560,401
Parks and Natural Resources	26,332,561	26,332,561	12,198,093	14,134,468
Recreation and Community Services	17,249,821	17,249,821	7,748,122	9,501,699
<i>Debt Service:</i>				
Principal	73,631	73,631	35,590	38,041
Interest	-	-	1,164	(1,164)
<i>Capital Outlay:</i>				
Parks and Natural Resources	186,000	186,000	53,381	132,619
<b>Total Expenditures</b>	<b>\$ 57,890,357</b>	<b>\$ 57,890,357</b>	<b>\$ 26,630,063</b>	<b>\$ 31,260,294</b>
<i>Percentage expended through 12/31/17</i>			<i>46.0%</i>	
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>\$ (1,011,020)</b>	<b>\$ (1,011,020)</b>	<b>\$ 1,411,605</b>	<b>\$ 2,422,625</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 624,498	\$ 624,498	\$ 17	\$ (624,481)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 624,498</b>	<b>\$ 624,498</b>	<b>\$ 17</b>	<b>\$ (624,481)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (386,522)</b>	<b>\$ (386,522)</b>	<b>\$ 1,411,622</b>	<b>\$ 1,798,144</b>
<b>Fund Balances - Beginning</b>	<b>\$ 4,500,000</b>	<b>\$ 4,500,000</b>	<b>\$ 5,857,981</b>	<b>\$ 1,357,981</b>
<b>Fund Balances - Ending</b>	<b>\$ 4,113,478</b>	<b>\$ 4,113,478</b>	<b>\$ 7,269,603</b>	<b>\$ 3,156,125</b>

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, 2017**

	<b>Business-type Activities</b>				
	<b>Zoological &amp; Environmental Education</b>	<b>Boathouse Marina</b>	<b>Meadow Park Golf Course</b>	<b>Total</b>	<b>Governmental Activities - Internal Service</b>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash & Cash Equivalents	\$ 6,242,992	\$ 519,123	\$ 170	\$ 6,762,285	\$ 1,876,627
Receivables (net)	2,121,691	64,318	5,329	2,191,338	-
Inventories	2,470	46,467	29,033	77,970	-
Restricted Receivables - Bond Related	602	-	-	602	-
<b>Total Current Assets</b>	<b>\$ 8,367,755</b>	<b>\$ 629,908</b>	<b>\$ 34,532</b>	<b>\$ 9,032,195</b>	<b>\$ 1,876,627</b>
<b>Noncurrent Assets:</b>					
Capital Assets (net of accumulated depreciation):					
Land	2,829,542	200,000	1,413,170	4,442,712	-
Buildings	15,395,586	1,935,577	506,038	17,837,201	-
Infrastructure	16,344,137	2,430,167	1,312,020	20,086,324	-
Equipment	1,936,869	39,141	155,734	2,131,744	1,070,251
Collections	265,674	-	-	265,674	-
Construction in Progress	1,393,923	-	-	1,393,923	-
<b>Total Noncurrent Assets</b>	<b>\$ 38,165,731</b>	<b>\$ 4,604,885</b>	<b>\$ 3,386,962</b>	<b>\$ 46,157,578</b>	<b>\$ 1,070,251</b>
<b>Total Assets</b>	<b>\$ 46,533,486</b>	<b>\$ 5,234,793</b>	<b>\$ 3,421,494</b>	<b>\$ 55,189,773</b>	<b>\$ 2,946,878</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Refunding	322,046	-	-	322,046	-
Deferred Outflows Related to Pensions	1,028,769	40,702	60,106	1,129,577	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,350,815</b>	<b>\$ 40,702</b>	<b>\$ 60,106</b>	<b>\$ 1,451,623</b>	<b>\$ -</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Accrued Expenses	\$ 1,407,101	\$ 63,587	\$ 67,634	\$ 1,538,322	\$ 94,683
Interfund Payables	-	-	350,000	350,000	-
Compensated Absences	786,999	20,249	32,982	840,230	-
Bonds, Notes, Loans Payable	1,089,475	-	-	1,089,475	-
Unearned Revenue	-	-	85,160	85,160	-
<b>Total Current Liabilities</b>	<b>\$ 3,283,575</b>	<b>\$ 83,836</b>	<b>\$ 535,776</b>	<b>\$ 3,903,187</b>	<b>\$ 94,683</b>
<b>Noncurrent Liabilities:</b>					
Compensated Absences	\$ 323,534	\$ 18,009	\$ 44,824	\$ 386,367	\$ -
Bonds, Notes, Loans Payable	9,908,135	-	-	9,908,135	-
Pension Liability	6,322,676	264,202	374,109	6,960,987	-
<b>Total Noncurrent Liabilities</b>	<b>\$ 16,554,345</b>	<b>\$ 282,211</b>	<b>\$ 418,933</b>	<b>\$ 17,255,489</b>	<b>\$ -</b>
<b>Total Liabilities</b>	<b>\$ 19,837,920</b>	<b>\$ 366,047</b>	<b>\$ 954,709</b>	<b>\$ 21,158,676</b>	<b>\$ 94,683</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to Pensions	1,021,743	49,977	60,649	1,132,369	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,021,743</b>	<b>\$ 49,977</b>	<b>\$ 60,649</b>	<b>\$ 1,132,369</b>	<b>\$ -</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 27,490,167	\$ 4,604,885	\$ 3,386,962	\$ 35,482,014	\$ 1,070,251
Restricted for:					
Debt Service	602	-	-	602	-
Unrestricted	(466,131)	254,586	(920,720)	(1,132,265)	1,781,944
<b>Total Net Position</b>	<b>\$ 27,024,638</b>	<b>\$ 4,859,471</b>	<b>\$ 2,466,242</b>	<b>\$ 34,350,351</b>	<b>\$ 2,852,195</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				\$ 668,541	
Net Position of Business-type Activities				<u>\$ 35,018,892</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, 2017**

	<b>Business-type Activities</b>				
	<b>Zoological &amp; Environmental Education</b>	<b>Boathouse Marina</b>	<b>Meadow Park Golf Course</b>	<b>Total</b>	<b>Governmental Activities - Internal Service</b>
<b>OPERATING REVENUES</b>					
Zoological & Environmental Education Operations	\$ 12,685,332	\$ -	\$ -	\$ 12,685,332	\$ -
Marina Operations	-	1,272,283	-	1,272,283	-
Golf Course Operations	-	-	1,325,430	1,325,430	-
Other Services	-	-	-	-	4,718,220
<b>Total Operating Revenues</b>	<b>\$ 12,685,332</b>	<b>\$ 1,272,283</b>	<b>\$ 1,325,430</b>	<b>\$ 15,283,045</b>	<b>\$ 4,718,220</b>
<b>OPERATING EXPENSES</b>					
Zoological & Environmental Education Operations	\$ 21,236,061	\$ -	\$ -	\$ 21,236,061	\$ -
Marina Operations	-	1,278,512	-	1,278,512	-
Golf Course Operations	-	-	1,312,102	1,312,102	-
Self Insurance and Claims	-	-	-	-	3,687,565
Depreciation	2,090,040	319,942	133,967	2,543,949	353,893
<b>Total Operating Expenses</b>	<b>\$ 23,326,101</b>	<b>\$ 1,598,454</b>	<b>\$ 1,446,069</b>	<b>\$ 26,370,624</b>	<b>\$ 4,041,458</b>
<b>Operating Income (Loss)</b>	<b>\$ (10,640,769)</b>	<b>\$ (326,171)</b>	<b>\$ (120,639)</b>	<b>\$ (11,087,579)</b>	<b>\$ 676,762</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property Taxes	\$ 1,310,272	\$ -	\$ -	\$ 1,310,272	\$ -
Sales Taxes	8,496,633	-	-	8,496,633	-
Intergovernmental	76,200	-	-	76,200	-
Unrestricted Grants and Contributions	611,889	-	-	611,889	-
Interest Expense	(442,629)	-	-	(442,629)	(376)
Debt Issuance and Other Debt Related Costs	(398)	-	-	(398)	-
Gain (Loss) on Disposition of Assets	(25,464)	-	-	(25,464)	61
Amortization of Bond Premium/Loss on Refunding	94,417	-	-	94,417	-
Miscellaneous Revenues	333,686	-	12,968	346,654	-
<b>Total Non-operating Revenues (Expenses)</b>	<b>\$ 10,454,606</b>	<b>\$ -</b>	<b>\$ 12,968</b>	<b>\$ 10,467,574</b>	<b>\$ (315)</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ (186,163)</b>	<b>\$ (326,171)</b>	<b>\$ (107,671)</b>	<b>\$ (620,005)</b>	<b>\$ 676,447</b>
Transfers and Capital Contributions					
Capital Contributions	\$ 292,220	\$ -	\$ -	\$ 292,220	\$ -
Transfers Out	(285)	-	-	(285)	-
<b>Change in Net Position</b>	<b>\$ 105,772</b>	<b>\$ (326,171)</b>	<b>\$ (107,671)</b>	<b>\$ (328,070)</b>	<b>\$ 676,447</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 26,918,866</b>	<b>\$ 5,185,642</b>	<b>\$ 2,573,913</b>		<b>\$ 2,175,748</b>
<b>Net Position - End of Year</b>	<b>\$ 27,024,638</b>	<b>\$ 4,859,471</b>	<b>\$ 2,466,242</b>		<b>\$ 2,852,195</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				\$ 274,367	
<b>Change in net position of business-type activities</b>				<b>\$ (53,703)</b>	

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, 2017

	Business-type Activities					Governmental Activities - Internal Service
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	\$ 13,383,024	\$ 1,262,295	\$ 1,327,683	\$ 15,973,002	\$ 5,514,481	
Cash Payments for Goods and Services	(8,062,672)	(651,441)	(581,791)	(9,295,904)	(3,862,888)	
Cash Payments to Employees for Services	(13,587,767)	(615,862)	(730,909)	(14,934,538)	-	
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (8,267,415)</b>	<b>\$ (5,008)</b>	<b>\$ 14,983</b>	<b>\$ (8,257,440)</b>	<b>\$ 1,651,593</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating Grants Received	\$ 76,200	\$ -	\$ -	\$ 76,200	\$ -	
Sales Tax Received	8,393,758	-	-	8,393,758	-	
Donations Received	611,889	-	-	611,889	-	
Transfers to Other Funds	(285)	-	-	(285)	(325,000)	
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>\$ 9,081,562</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,081,562</b>	<b>\$ (325,000)</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Property Tax Received	\$ 1,312,602	\$ -	\$ -	\$ 1,312,602	\$ -	
Acquisition and Construction - Capital Assets	(366,386)	-	(15,360)	(381,746)	(185,598)	
Proceeds on Disposition of Assets	6,500	-	-	6,500	61	
Principal Paid on Long Term Debt	(869,301)	-	-	(869,301)	(17,083)	
Interest Paid on Long Term Debt	(442,629)	-	-	(442,629)	(376)	
Other Debt Costs	(398)	-	-	(398)	-	
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>\$ (359,612)</b>	<b>\$ -</b>	<b>\$ (15,360)</b>	<b>\$ (374,972)</b>	<b>\$ (202,996)</b>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 454,535</b>	<b>\$ (5,008)</b>	<b>\$ (377)</b>	<b>\$ 449,150</b>	<b>\$ 1,123,597</b>	
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>\$ 5,788,457</b>	<b>\$ 524,131</b>	<b>\$ 547</b>	<b>\$ 6,313,135</b>	<b>\$ 753,030</b>	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 6,242,992</b>	<b>\$ 519,123</b>	<b>\$ 170</b>	<b>\$ 6,762,285</b>	<b>\$ 1,876,627</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>						
Operating Income (Loss)	\$ (10,640,769)	\$ (326,171)	\$ (120,639)	\$ (11,087,579)	\$ 676,762	
Miscellaneous Revenues	333,686	-	12,969	346,655	-	
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>						
Depreciation	\$ 2,090,040	\$ 319,942	\$ 133,967	\$ 2,543,949	\$ 353,893	
Changes in Assets and Liabilities						
(Increase) Decrease in Accounts Receivable	452,079	(9,988)	(4,249)	437,842	796,261	
(Increase) Decrease in Due From Other Governments	(88,073)	-	-	(88,073)	-	
(Increase) Decrease in Inventory	4,029	(386)	(1,430)	2,213	-	
Increase (Decrease) in Accounts Payable & Accrued Expenses	(339,730)	2,611	(14,340)	(351,459)	(175,323)	
Increase (Decrease) in Due to Other Funds	-	-	14,000	14,000	-	
Increase (Decrease) in Due to Other Governments	8,376	(204)	214	8,386	-	
Increase (Decrease) in Compensated Absences	(87,053)	9,188	958	(76,907)	-	
Increase (Decrease) in Unearned Revenue	-	-	(6,467)	(6,467)	-	
<b>Total Adjustments</b>	<b>\$ 2,039,668</b>	<b>\$ 321,163</b>	<b>\$ 122,653</b>	<b>\$ 2,483,484</b>	<b>\$ 974,831</b>	
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (8,267,415)</b>	<b>\$ (5,008)</b>	<b>\$ 14,983</b>	<b>\$ (8,257,440)</b>	<b>\$ 1,651,593</b>	
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
<b>CAPITAL ASSETS CONTRIBUTED FROM</b>						
Governmental Activities	\$ 292,220	\$ -	\$ -	\$ 292,220	\$ -	
<b>TOTAL NON-CASH CONTRIBUTIONS</b>	<b>\$ 292,220</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 292,220</b>	<b>\$ -</b>	

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

**METROPOLITAN PARK DISTRICT OF TACOMA**

**December 31, 2017**

**NOTES TO THE FINANCIAL STATEMENTS**

NOTE

- 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
  - A. THE REPORTING ENTITY
  - B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
  - C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION
  - D. ASSETS, LIABILITIES, FUND BALANCE, NET POSITION
  - E. SPECIAL ITEMS
- 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
  - B. DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
- 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
  - A. BUDGETARY INFORMATION
  - B. LEGAL AND CONTRACTUAL COMPLIANCE
- 4 DETAILED NOTES ON ALL FUNDS

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  - A. CASH AND INVESTMENTS
  - B. RECEIVABLES
  - C. CAPITAL ASSETS
  - D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS
  - E. LONG-TERM DEBT
  - F. OPERATING LEASES
  - G. RESTRICTED ACCOUNTS
  - H. CONTINGENCIES AND LITIGATION
  - I. TAX ABATEMENTS
  - J. NET INVESTMENT IN CAPITAL ASSETS
  - K. COMPONENT UNITS
  - L. FINANCIAL GUARANTEE
  - M. RELATED PARTY TRANSACTIONS
- 5 OTHER INFORMATION
  - A. RISK MANAGEMENT
  - B. EMPLOYEE RETIREMENT SYSTEM
  - C. DEFERRED COMPENSATION
  - D. REPORTING CHANGES
  - E. SUBSEQUENT EVENTS

**METROPOLITAN PARK DISTRICT OF TACOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 (the primary government for financial reporting purposes) consists of the funds over which Metro Parks exercises financial accountability, and the component units over which Metro Parks is not financially accountable but which are required to be reported due to the nature and significance of their relationships with Metro Parks. Additional information on the component units may be found in Note 4.K.

**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 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 *2016 GO Bond Debt Service Fund* accounts for repayment of principal and interest on the \$70.0 million of voter-approved bonds issued in 2016.

The *2016 UTGO Bond Projects Fund* accounts for \$70.0 million of voter-approved bonds issued in 2016.

The *2014 Bond Local Projects Fund* accounts for grants, donations and other matching funds used to expand bond projects.

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 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 *Meadow Park Golf Course Fund* accounts for the Meadow Park Golf Course. These operations include golf rounds, rentals and retail sales.

Of the three enterprise funds, only the *Zoological and Environmental Education Fund* qualifies as a major fund quantitatively; however Metro Parks has elected to present the other two funds separately and along-side rather than combining them.

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). Metro Parks is a participant in the Washington State Local Government Investment Pool. Investments in the LGIP, a qualified external investment pool, are reported at the amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

##### **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, 2017 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 acquisition 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 \$25,932,896 at December 31, 2017. These projects are financed by general obligation bonds issued for the purpose of constructing and upgrading facilities including a new aquarium and major upgrades to waterfront parks.

### **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, 2017			
	Current Portion		Long-term Portion
Vacation	\$	1,486,079	\$ 456,477
Sick Leave		586,077	425,874
Compensatory Time		49,323	-
Total	\$	2,121,479	\$ 882,351
Governmental Funds	\$	1,281,249	\$ 495,983
Proprietary Funds		840,230	386,368
Total	\$	2,121,479	\$ 882,351

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 net 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 has two items that qualify for reporting in this category. One 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. The other item is deferred outflows related to pensions. This item includes several elements: a) contributions to retirement plans subsequent to the measurement date; b) difference between expected and actual plan experience; c) change in plan assumptions; and d) changes in proportionate share of the plans.

In addition to liabilities, the statement of net 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 two items that qualify for reporting in this category. One is unavailable revenue from property taxes. 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. The other item which qualifies for reporting is deferred inflows related to pensions. This balance represents the difference between expected and actual investment earnings. This amount is reported in the government-wide and proprietary fund statements of net position.

## **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.

### **13. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The general fund is used to liquidate governmental fund pension obligations.

### **E. SPECIAL ITEMS**

Special items are transactions or events that are within the control of Metro Parks' management and that are either unusual in nature or infrequent in occurrence. In 2017, Metro Parks contributed a partially-completed construction project and cash sufficient to complete construction to the Eastside Community Center QALICB, a Washington State not-for-profit corporation. \$23.9 million is reported in the *2016 UTGO Bond Projects Fund* on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. This amount reflects 2017 construction expenditures incurred by Metro Parks prior to transfer of the project, plus cash contributions provided upon closing of the agreement. \$25.4 million is reported on the Entity-Wide Statement of Net Activities. This amount includes the \$23.9 million described above, plus an additional \$1.5 million which represents the beginning construction-in-progress balance carried forward from 2016, related to the Eastside Community Center capital project.

## **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 \$2.1 million reported, \$1.4 million represents amortization of bond premiums and deferred charges on refunding, \$633 thousand represents an increase in liability for pension obligations, and \$38 thousand represents an increase in liability for compensated absences, none of which are 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. Similarly, life-to-date project budgets are used 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 not amended during 2017.

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. Related party transactions significantly impacting Metro Parks' financial statements are described in note 4.K.

## **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 \$28,971,861. 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, 2017, the Pierce County Treasurer was holding \$4,360,000 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 \$10,000,000 in certificates of deposit on behalf of Metro Parks. The two separate certificates of deposit have varying maturity dates of less than two-years from issue.

*FAIR VALUE.* Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels:

Level 1 - Pricing inputs are observable inputs such as quoted prices, available in active markets, for identical assets on the measurement date.

Level 2 - Pricing inputs are either directly or indirectly observable inputs available in active markets as of the measurement date.

Level 3 - Pricing inputs are unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

All investment balances as of December 31, 2017 are based on level 1 inputs.

*OTHER.* Metro Parks has an additional \$80,520 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:

Receivables	General Fund	2016 GO Debt Service Fund	2016 Bond Projects	2014 Bond Local Fund	Nonmajor Governmental Funds	Zoological & Environmental Education	Nonmajor Proprietary Funds	Total
Accounts	\$ 324,806	\$ -	\$ -	\$ -	\$ -	\$ 346,060	\$ 159,162	\$ 830,028
Taxes	771,354	214,601	-	-	265,691	1,553,152	-	2,804,798
Intergovernmental	87,082	-	970,000	3,544,154	-	223,081	-	4,824,317
Gross Receivables	\$ 1,183,242	\$ 214,601	\$ 970,000	\$ 3,544,154	\$ 265,691	\$ 2,122,293	\$ 159,162	\$ 8,459,143
Less: Allowance for Uncollectible	(150,478)	-	-	-	-	-	(89,515)	(239,993)
Total	\$ 1,032,764	\$ 214,601	\$ 970,000	\$ 3,544,154	\$ 265,691	\$ 2,122,293	\$ 69,647	\$ 8,219,150

## C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

<i>Governmental Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 35,742,799	\$ 295,821	\$ -	\$ 36,038,620
Collections	567,169	-	-	567,169
Construction in progress	55,409,731	60,046,674	1,258,391	114,198,015
Total capital assets not being depreciated	\$ 91,719,699	\$ 60,342,495	\$ 1,258,391	\$ 150,803,804
Capital assets being depreciated:				
Buildings	\$ 53,169,499	\$ 98,184	\$ -	\$ 53,267,683
Infrastructure	60,787,457	429,568	-	61,217,025
Machinery, equipment, and vehicles	10,422,004	230,474	-	10,652,478
Total capital assets being depreciated	\$ 124,378,960	\$ 758,226	\$ -	\$ 125,137,186
Less accumulated depreciation for:				
Buildings	\$ (16,019,479)	\$ (1,774,771)	\$ -	\$ (17,794,250)
Infrastructure	(24,408,594)	(3,049,359)	-	(27,457,953)
Machinery, equipment, and vehicles	(6,690,988)	(892,389)	-	(7,583,377)
Total accumulated depreciation	\$ (47,119,061)	\$ (5,716,519)	\$ -	\$ (52,835,580)
Total capital assets being depreciated, net	\$ 77,259,899	\$ (4,958,293)	\$ -	\$ 72,301,606
Governmental activities capital assets, net	\$ 168,979,598	\$ 55,384,202	\$ 1,258,391	\$ 223,105,410

<i>Business-type Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,442,712	\$ -	\$ -	\$ 4,442,712
Collections	56,390	209,284	-	265,674
Construction in progress	1,707,621	124,279	437,977	1,393,923
Total capital assets not being depreciated	\$ 6,206,723	\$ 333,563	\$ 437,977	\$ 6,102,309
Capital assets being depreciated:				
Buildings	\$ 37,475,445	\$ 509,839	\$ 58,262	\$ 37,927,022
Infrastructure	36,541,962	6,521	67,690	36,480,793
Machinery, equipment, and vehicles	9,431,018	261,748	1,766,806	7,925,960
Total capital assets being depreciated	\$ 83,448,425	\$ 778,108	\$ 1,892,758	\$ 82,333,775
Less accumulated depreciation for:				
Buildings	\$ (19,090,401)	\$ (1,029,221)	\$ (29,801)	\$ (20,089,821)
Infrastructure	(15,379,173)	(1,083,256)	(67,960)	(16,394,469)
Machinery, equipment, and vehicles	(7,126,048)	(431,472)	(1,763,304)	(5,794,216)
Total accumulated depreciation	\$ (41,595,622)	\$ (2,543,949)	\$ (1,861,065)	\$ (42,278,506)
Total capital assets being depreciated, net	\$ 41,852,803	\$ (1,765,841)	\$ 31,693	\$ 40,055,269
Business-type activities capital assets, net	\$ 48,059,526	\$ (1,432,278)	\$ 469,670	\$ 46,157,578

Depreciation expense was charged to programs as follows:

<i>Governmental activities:</i>	
General Government	\$ 420,821
Parks and Natural Resources	4,964,330
Recreation and Community Services	246,888
Zoological and Environmental Education	84,480
Total depreciation expense - governmental activities	\$ 5,716,519
<i>Business-type activities:</i>	
Boathouse Marina	\$ 319,942
Meadow Park Golf Course	133,967
Zoological and Environmental Education	2,090,040
Total depreciation expense - business-type activities	\$ 2,543,949

## D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at December 31, 2017 is as follows:

*Interfund receivables/payables:*

Receivable Fund	Payable Fund					Total Receivable
	Meadow Park Golf Course	2016 UTGO Bond Projects	2014 Bond Local Projects	Non Major Governmental	Internal Service Funds	
General Fund	\$ 350,000	-	-	1,226,000	-	\$ 1,576,000
Non Major Governmental	-	1,632,000	1,159,000	-	-	2,791,000
Boathouse Marina	-	-	-	-	25,392	25,392
Zoological & Environmental Education	-	-	-	-	412,829	412,829
Meadow Park Golf Course	-	-	-	-	230,320	230,320
Total Payable	\$ 350,000	\$ 1,632,000	\$ 1,159,000	\$ 1,226,000	\$ 668,541	\$ 5,035,541

The General Fund and Non-Major Governmental Funds have given 30 day operating loans to the funds indicated. 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 Out	Transfers In		
	General Fund	Nonmajor Governmental	Total Transfers Out
Nonmajor Governmental	-	16,891	16,891
Zoological & Environmental Education	17	268	285
Total Transfers In	\$ 17	\$ 17,159	\$ 17,176

The purpose of the transfers was to pay for debt service costs.

## 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:

<u>Governmental activities</u>	Interest Rate	Original Amount	Outstanding
2008 Construction Bonds	3.50%-5.25%	19,210,000	1,070,000
2010 Construction Bonds	5.57%-6.35%	25,025,000	25,025,000
2012 Refunding Bonds	0.5%-4.00%	3,698,150	2,841,600
2014 Construction Bonds	2.00%-5.00%	33,400,000	12,790,000
2014 Refunding Bonds	3.00%-5.00%	18,040,000	16,740,000
2015 Refunding Bonds	2.00%-5.00%	8,087,800	6,989,100
2016 Construction Bonds	2.00%-5.00%	76,290,000	66,980,000
Total Governmental activities		\$ 183,750,950	\$ 132,435,700
<u>Business-type activities</u>			
2012 Refunding Bonds	0.5%-4.00%	6,296,850	4,838,400
2015 Refunding Bonds	2.00%-5.00%	6,192,200	5,350,900
Total Business-type activities		\$ 12,489,050	\$ 10,189,300
Total General Obligation Bonds		\$ 196,240,000	\$ 142,625,000

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 a portion of the interest on those bonds.

Year ending December 31	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 12,776,000	\$ 6,211,519	\$ 929,000	\$ 419,109	\$ 20,335,628
2019	4,603,300	5,707,837	986,700	386,991	11,684,828
2020	4,989,650	5,506,321	1,045,350	357,033	11,898,354
2021	5,182,650	5,302,002	1,242,350	313,127	12,040,129
2022	5,480,900	5,066,940	1,344,100	257,339	12,149,279
2023-2027	41,138,200	20,641,916	4,641,800	401,827	66,823,743
2028-2032	43,535,000	9,090,728	-	-	52,625,728
2033-2037	14,730,000	1,640,875	-	-	16,370,875
	\$ 132,435,700	\$ 59,168,138	\$ 10,189,300	\$ 2,135,426	\$ 203,928,564

## 2. Notes Payable

In 2012, the General Fund borrowed \$198,930 to fund fitness equipment. The loan is payable over six years at 3.49% interest. \$15,198 was outstanding at December 31, 2017. The last principal payment, plus \$133 in interest, will be made in 2018.

## 3. Refunded Debt

In 2016 Metro Parks issued \$6,290,000 of general obligation refunding bonds for the purpose of generating resources for future debt service payments on \$6,800,000 of refunded debt. The proceeds were placed in an irrevocable trust. The refunding bonds partially refunded the 2008 GO bonds. The 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 for the next 10 years by \$967,875 and resulted in an economic gain of \$846,521. The escrow account balance at December 31, 2017 was \$7,096,131.

#### 4. Bond Rating

On October 28, 2016, Moody's Investors Service affirmed its Global Scale Rating of "Aa2" on all of Metro Parks' outstanding Unlimited Tax General Obligation Bonds.

On October 31, 2016, 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, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 144,841,400	\$ -	\$ 12,405,700	\$ 132,435,700	\$ 12,776,000
Plus premiums deferred	15,482,434	-	1,840,471	13,641,963	1,671,240
Notes Payable	67,870	-	52,672	15,198	15,198
Compensated Absences	1,815,202	1,119,655	1,157,625	1,777,232	1,281,249
Net Pension Liability	12,787,956		2,682,694	10,105,262	-
Governmental Activities - Long-term Liabilities	\$ 174,994,862	\$ 1,119,655	\$ 18,139,162	\$ 157,975,355	\$ 15,743,687
<i>Business-type Activities</i>					
General Obligation Bonds	\$ 11,058,600	\$ -	\$ 869,300	\$ 10,189,300	\$ 929,000
Plus premiums deferred	981,826	-	173,517	808,309	160,476
Compensated Absences	1,303,503	741,692	818,597	1,226,598	840,230
Net Pension Liability	9,059,491		2,098,505	6,960,986	-
Business-type Activities - Long-term Liabilities	\$ 22,403,420	\$ 741,692	\$ 3,959,919	\$ 19,185,193	\$ 1,929,706

#### 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. The only restricted assets in business-type funds is \$602 for bond related taxes receivable.

#### 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.

In 2016, Metro Parks and the EPA entered into a cooperative agreement whereby Metro Parks and the EPA agreed to jointly fund the remaining remedial work on the breakwater peninsula. Since then, almost all of the work has been completed. However, the cooperative agreement does 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 associated with the yacht basin.

## **I – TAX ABATEMENTS**

Tax abatements granted by the City of Tacoma related to the multi-family property tax exemption program result in lost or shifted property tax revenue received by Metro Parks. In 2017, Metro Parks lost property tax revenue of \$233,092. Additionally, \$297,190 of property tax levies were shifted from exempt properties to other tax payers.

## **J – NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets reported on the statement of net position does not cross foot to the total column. This is due to capital assets which were funded by general government debt and subsequently transferred to enterprise funds. The balance as of December 31, 2017 was \$2,668,633. This amount was added back to the net investment in capital assets reported in the governmental activities column and deducted from the same line in the total column. This adjustment is offset by adjustments of the same amount to unrestricted net position.

## **K – COMPONENT UNITS**

### *Greater Metro Parks Foundation*

The Greater Metro Parks Foundation (GMPF) is a Washington non-profit corporation, a public charity organized exclusively for charitable purposes to benefit and support Metro Parks. The foundation provides goods and services above the tax-based funding of Metro Parks. GMPF is located in Tacoma, governed by a Board of Directors, and possesses all of the requisite corporate powers to carry out the purposes for which it was formed. Metro Parks is not financially accountable for GMPF. GMPF is considered a non-major component unit and is presented discretely in accordance with GASB No. 39.

### *Eastside Community Center QALICB*

The Eastside Community Center QALICB (the QALICB) was formed as a Washington nonprofit corporation on April 17, 2017 (date of inception), exclusively for the charitable purposes within Section 509(a)(2) of the Internal Revenue Code of 1986. The specific purpose of the QALICB is to support and benefit the development of the Tacoma Eastside Community Center located at 1801 E. 56<sup>th</sup> Street Tacoma, Washington by nonprofit tax-exempt organizations. As part of the ongoing purpose of the QALICB, the Corporation received mortgage financing under the New Market Tax Credit program, established by the Community Renewal Tax Relief Act of 2000, to provide partial funding for the facility. The QALICB is considered a non-major component unit and is discretely presented in accordance with GASB No. 39.

**Condensed Statement of Net Position**  
**Greater Metro Parks Foundation and Eastside Community Center QALICB**  
**December 31, 2017**

	Discretely Presented Component Units		
	Greater Metro Parks Foundation	Eastside Community Center QALICB	Total
<b>ASSETS</b>			
Cash	\$ 604,236	\$ 23,006,651	\$ 23,610,887
Receivables	19,155	-	19,155
Temporarily Restricted Assets:			
Cash Held for Distributions	1,003,628	-	1,003,628
Cash Held for Endowments	2,341,799	-	2,341,799
Cash Reserves	-	1,193,597	1,193,597
Investments	685,336	-	685,336
Long-term receivables	2,098,349	-	2,098,349
Capital Assets (net of accumulated depreciation)	-	13,439,359	13,439,359
<b>Total Assets</b>	<b>\$ 6,752,503</b>	<b>\$ 37,639,607</b>	<b>\$ 44,392,110</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 138,940	\$ 3,542,848	\$ 3,681,788
Noncurrent Liabilities:			
Due in More Than One Year	-	28,355,000	28,355,000
<b>Total Liabilities</b>	<b>\$ 138,940</b>	<b>\$ 31,897,848</b>	<b>\$ 32,036,788</b>
<b>NET POSITION</b>			
Restricted	6,433,688	-	6,433,688
Unrestricted	179,875	5,741,759	5,921,634
<b>Total Net Position</b>	<b>\$ 6,613,563</b>	<b>\$ 5,741,759</b>	<b>\$ 12,355,322</b>

**Condensed Statement of Activities**  
**Greater Metro Parks Foundation and Eastside Community Center QALICB**  
**For the Year Ended December 31, 2017**

	<b>Discretely Presented Component Units</b>		
	<b>Greater Metro Parks Foundation</b>	<b>Eastside Community Center QALICB</b>	<b>Total</b>
<b>PROGRAM REVENUES</b>			
Contributions	\$ 2,968,502	\$ 5,786,468	\$ 8,754,970
<b>Total Program Revenues</b>	<b>\$ 2,968,502</b>	<b>\$ 5,786,468</b>	<b>\$ 8,754,970</b>
<b>GENERAL REVENUES</b>			
Investment Interest	\$ 75,193	\$ 568	\$ 75,761
Miscellaneous	2,000	-	2,000
<b>Total General Revenues</b>	<b>\$ 77,193</b>	<b>\$ 568</b>	<b>\$ 77,761</b>
<b>Total Revenues</b>	<b>\$ 3,045,695</b>	<b>\$ 5,787,036</b>	<b>\$ 8,832,731</b>
<b>EXPENSES</b>			
Management and general	\$ 457,561	\$ 45,277	\$ 502,838
<b>Total Expenses</b>	<b>\$ 457,561</b>	<b>\$ 45,277</b>	<b>\$ 502,838</b>
<b>Change in Net Position</b>	<b>\$ 2,588,134</b>	<b>\$ 5,741,759</b>	<b>\$ 8,329,893</b>
Net Position - Beginning of Year	\$ 4,025,429	\$ -	\$ 4,025,429
<b>Net Position - End of Year</b>	<b>\$ 6,613,563</b>	<b>\$ 5,741,759</b>	<b>\$ 12,355,322</b>

**L – FINANCIAL GUARANTEE**

Pursuant to Metro Parks' Board Resolution #R56-17, Metro Parks is a guarantor on a loan agreement, dated July 27, 2017, between the Eastside Community Center QALICB, a Washington State not-for-profit corporation, as borrower and Northern CDE 1, LLC, an Illinois limited liability company, RBC Community Development Sub 17, LLC, a Delaware limited liability company, and LIIF Sub-CDE XLIII, LLC, a Delaware limited liability company, as lenders, in the amount of \$28,355,000. Interest only payments are due on December 1, beginning in 2017 and ending in 2024 at a rate of 1%. Beginning December 1, 2025, principal and interest payments commence and continue to the maturity date of December 1, 2051. All loan principal is outstanding as of December 31, 2017. It is not likely that Metro Parks will be called upon to make any payments as the debt is secured by real property.

**M – RELATED PARTY TRANSACTIONS**

Metro Parks receives contributions from three 501(c)3 non-profit entities, The Zoo Society, Fort Nisqually Foundation, and Seymour Conservatory Foundation, for the purpose of preserving the PDZA, Fort Nisqually, and Seymour Conservatory, respectively. Metro Parks is under no obligation to subsidize, nor does it exercise any other prerequisite for inclusion as component units. Contributions were received for 2017 of \$101,884.

Construction of the Eastside Community Center is partially funded by new market tax credits (NMTC) and is jointly supported by Metro Parks and the two component units, Greater Metro Parks Foundation (GMPF) and Eastside Community Center QALICB (ESCC QALICB). Metro Parks contributed \$21.7 million to GMPF, of which \$19.2 million was disbursed for the NMTC leverage loan and \$2.5 million to the ESCC QALICB.



The NMTC is a federal program designed to stimulate investments in qualified low-income communities in exchange for 39% tax credits collected over a 7-year tax credit period. A put/call option is used for the investor to exit the structure after the tax-credit period.

Metro Parks holds the call option to purchase investor's interest in TNT-Eastside NMTC Fund, LLC, at a minimal fee of \$1,000, and therefore it is expected to be exercised. GMPF receives interest payments every December and returns those payments to Metro Parks. Interest of \$73,113 was received in 2018.

## **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 161 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, with 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 in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by re-insurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. 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 is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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, reinsurance, and other 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	\$ 25,000,000
Flood Pool	\$ 100,000,000	Liability, Stop-Gap coverage,	
Earthquake Pool	\$ 150,000,000	& Employee Benefits Liability	
Unscheduled Infrastructure - tunnels, bridges, streets, etc.	\$ 1,000,000	Crime & Fidelity	\$ 2,500,000
Specific Auto Physical Damage	Replacement	Public Officials and Employment Practice Liability	\$ 25,000,000

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (17,066,249)
Pension assets	\$ -
Deferred outflows of resources	\$ 2,721,010
Deferred inflows of resources	\$ (2,752,754)
Pension expense/expenditures	\$ 1,658,228

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, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public 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](http://www.drs.wa.gov).

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested

after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

The district's actual and required contributions to the plan were \$1,189,665 for the year ended December 31, 2017.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a death benefit that is reduced by a factor that varies according to age for each year before 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service.

Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with the choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>

The district's actual and required contributions to the PERS 2/3 plans were \$1,596,865 for the year ended December 31, 2017.

#### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all plans, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining services lives calculation was revised.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

### Estimated Rate of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%

Private Equity	23%	9.30%
	<b>100%</b>	

#### Sensitivity of NPL

The table below presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$10,957,465	\$8,994,865	\$7,294,833
PERS 2/3	\$21,745,154	\$8,071,384	(\$3,132,242)

#### Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2017, Metro Parks reported a total pension liability of \$17,066,249 for its proportionate share of the net pension liabilities as follows:

	<b>Liability</b>
PERS 1	\$8,994,865
PERS 2/3	\$8,071,384

At June 30, the district's proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/16</b>	<b>Proportionate Share 6/30/17</b>	<b>Change in Proportion</b>
PERS 1	.191484%	.189562%	-.001922%
PERS 2/3	.229673%	.232302%	.002629%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all PERS plans.

The collective net pension liability was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2017, Metro Parks recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$446,471
PERS 2/3	\$1,211,757

### Deferred Outflows of Resources and Deferred Inflows of Resources

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

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments		\$335,663
Contributions subsequent to the measurement date	\$624,145	
<b>TOTAL</b>	<b>\$624,145</b>	<b>\$335,663</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$817,822	\$265,454
Net difference between projected and actual investment earnings on pension plan investments		\$2,151,637
Changes of assumptions	\$85,733	
Changes in proportion and differences between contributions and proportionate share of contributions	\$301,940	
Contributions subsequent to the measurement date	\$891,370	
<b>TOTAL</b>	<b>\$2,096,865</b>	<b>\$2,417,091</b>

Deferred outflows of resources related to pensions resulting from the district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent years as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2018	(226,887)
2019	71,632
2020	(16,632)

2021	(163,776)
<b>TOTAL</b>	<b>(\$335,663)</b>

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2018	(743,225)
2019	334,047
2020	(154,960)
2021	(850,035)
2022	88,077
Thereafter	114,500
<b>TOTAL</b>	<b>(\$1,211,596)</b>

#### **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.

#### **D – REPORTING CHANGES**

With this report, Metro Parks has implemented GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14; GASB Statement No. 81 – Irrevocable Split-Interest Agreements; and GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, 68, and 73.

#### **E – SUBSEQUENT EVENTS**

On May 16, 2018, Metro Parks issued \$41.2 million of Unlimited Tax General Obligation Bonds with coupon rates ranging from 3 percent to 5 percent and a final maturity of December 1, 2037.



**METROPOLITAN PARK DISTRICT OF TACOMA**

**December 31, 2017**

**REQUIRED SUPPLEMENTARY INFORMATION**

CONTENTS

- 1 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- 2 SCHEDULE OF EMPLOYER CONTRIBUTIONS

**Metropolitan Park District of Tacoma**  
**Schedule of Proportionate Share of the Net Pension Liability**  
As of June 30 (*measurement date*)  
Last 10 Fiscal Years\*

<b>Public Employees' Retirement System Plan 1</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability</u>	0.189562%	0.191484%	0.186641%
<u>Employer's proportionate share of the net pension liability</u>	\$ 8,994,865	\$ 10,283,593	\$ 9,763,060
<u>Employer's covered employee payroll</u>	\$ 23,289,308	\$ 22,129,451	\$ 20,502,263
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	38.62%	46.47%	47.62%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	61.24%	57.03%	59.10%
<b>Public Employees' Retirement System Plans 2 &amp; 3</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability</u>	0.232302%	0.229673%	0.221186%
<u>Employer's proportionate share of the net pension liability</u>	\$ 8,071,384	\$ 11,563,854	\$ 7,903,102
<u>Employer's covered employee payroll</u>	\$ 22,802,764	\$ 21,523,022	\$ 19,693,530
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	35.40%	53.73%	40.13%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	90.97%	85.82%	89.20%

**Notes to Schedule:**

\*This schedule will be built prospectively until it contains 10 years of data

\*There were no changes in benefit terms or assumptions

**Metropolitan Park District of Tacoma**  
**Schedule of Employer Contributions**  
As of December 31  
Last 10 Fiscal Years\*

<b>Public Employees' Retirement System Plan 1</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 1,189,665	\$ 1,127,614	\$ 979,045
<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>\$ (1,189,665)</u>	<u>\$ (1,127,614)</u>	<u>\$ (979,045)</u>
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 23,659,352	\$ 22,963,237	\$ 21,354,278
<u>Contributions as a percentage of covered employee payroll</u>	5.03%	4.91%	4.58%

<b>Public Employees' Retirement System Plans 2 &amp; 3</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 1,596,865	\$ 1,397,124	\$ 1,164,013
<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>\$ (1,596,865)</u>	<u>\$ (1,397,124)</u>	<u>\$ (1,164,013)</u>
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 23,224,839	\$ 22,434,917	\$ 20,620,288
<u>Contributions as a percentage of covered employee payroll</u>	6.88%	6.23%	5.64%

**Notes to Schedule:**

\*This schedule will be built prospectively until it contains 10 years of data

\*There were no changes in benefit terms or assumptions

**Metropolitan Park District of Tacoma  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
<b>Child Nutrition Cluster</b>								
Food And Nutrition Service, Department Of Agriculture (via Washington State Office of Superintendent of Public Instruction (OSPI))	Summer Food Service Program for Children	10.559	160095	79,718	-	79,718	-	
		<b>Total Child Nutrition Cluster:</b>		<b>79,718</b>	<b>-</b>	<b>79,718</b>	-	
National Park Service, Department Of The Interior (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	12-1549D	416,445	-	416,445	-	
National Park Service, Department Of The Interior (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	12-1555D	416,667	-	416,667	-	
		<b>Total CFDA 15.916:</b>		<b>833,112</b>	<b>-</b>	<b>833,112</b>	-	
Department Of Veterans Affairs	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	64.034	2017-ASG-47	-	48,750	48,750	-	
Department Of Veterans Affairs	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	64.034	2018-ASG-50	-	16,250	16,250	-	
		<b>Total CFDA 64.034:</b>		<b>-</b>	<b>65,000</b>	<b>65,000</b>	-	

The accompanying notes are an integral part of this schedule.

**Metropolitan Park District of Tacoma  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
U.S. Environmental Protection Agency	Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements	66.802	V-01J12201	-	12,892,980	12,892,980	-	
<b>Total Federal Awards Expended:</b>				<b>912,830</b>	<b>12,957,980</b>	<b>13,870,810</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE/LOCAL FINANCIAL ASSISTANCE

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for the proprietary funds.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal, state, or local share of the program costs. Entire program costs, including the District's portion, may be more than shown.

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

### **Metropolitan Park District of Tacoma Pierce County January 1, 2017 through December 31, 2017**

This schedule presents the corrective action planned by the primary government for findings reported in this report in accordance with Title 2 *US. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The District's internal controls over financial statement preparation for its component unit, Eastside Community Center QALIC B, were inadequate to ensure accurate and complete reporting.
<b>Name, address, and telephone of District's contact person:</b> Andrea Donnelly, Controller 4702 S. 19th Street Tacoma, WA 98405	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The initial missing transactions were verified and are now incorporated as part of the final audited financial statements. ECC QALIC B's financial activities are now being monitored by the District's new Controller, including performing monthly reconciliations of bank statements.</i>	
<b>Anticipated date to complete the corrective action:</b> August 8, 2018	

## 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.

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Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>