



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, 2016 through December 31, 2016

Published September 28, 2017

Report No. 1019648





Office of the Washington State Auditor
Pat McCarthy

September 28, 2017

Board of Directors
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". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Metropolitan Park District of Tacoma
Pierce County
January 1, 2016 through December 31, 2016**

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, 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 no 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 deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
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

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2016-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Metropolitan Park District of Tacoma Pierce County January 1, 2016 through December 31, 2016

2016-001 **The District did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) and suspension and debarment requirements.**

CFDA Number and Title:	66.802 – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
Federal Grantor Name:	Environmental Protection Agency
Federal Award/Contract Number:	01J12201
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$0

Background

During fiscal year 2016, the Metropolitan Park District of Tacoma spent \$9,284,294 through the Superfund State, Political Subdivision, and Indian Tribe-Site Specific Cooperative Agreements grant program.

Davis Bacon Act (Prevailing Wage)

The Davis-Bacon Act (Act) requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts of more than \$2,000 financed with federal funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. The Act includes a requirement for the contractor or subcontractor to submit to the District weekly, for each week in which and contract work is performed, a copy of its payroll and a statement of compliance (weekly certified payroll).

Suspension and Debarment

Federal regulations prohibit grant recipients from contracting with or making sub-awards to parties suspended or debarred from doing business with the federal government. The District must verify that all contractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. The District can obtain a written certification from the contractor or insert a clause into the contract where the contractor states it is not suspended or debarred. Alternatively, the District may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

Description of Condition

Davis Bacon Act (Prevailing Wage)

The District did not have an adequate process in place to ensure contractors and subcontractors working on federal grant-funded projects filed weekly certified payrolls.

We consider this internal control deficiency to be a material weakness, which led to material noncompliance. This issue was not reported as a finding in the prior audit.

Suspension and Debarment

For one of three contracts exceeding \$25,000 during fiscal year 2016, 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 entering into the contract.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance. This issue was not reported as a finding in the prior audit.

Cause of Condition

Davis Bacon Act (Prevailing Wage)

District employees responsible for ensuring compliance with prevailing wage rate requirements were aware of the requirement to obtain weekly certified payrolls from contractors and subcontractors. However, the employees did not have adequate communication with the project team and did not have an adequate system in place to monitor contractors and subcontractors and follow up to ensure all weekly certified payrolls were submitted.

In addition, the District did not establish a process to ensure the prevailing wage rate provision required by the Act was included in contracts for both contractors and subcontractors as federal regulations require.

Suspension and Debarment

District employees responsible to verify the status of its contractors were not aware that government agencies are also subject to the suspension and debarment requirements under federal regulations.

Effect of Condition and Questioned Costs

Davis Bacon Act (Prevailing Wage)

The District did not obtain all weekly certified payrolls and did not ensure prevailing wage rates were paid by all contractors and subcontractors for the Superfund Remediation of the Asarco Slag Peninsula and Point Defiance Park Waterfront project. Our audit found:

- A total of 542 weekly certified payroll reports should have been submitted by contractors and subcontractors for work performed during 2016. However, we determined:
 - 53 weekly certified payroll reports were not obtained
 - 48 of the weekly certified payroll reports were not submitted until 2017
 - 40 of the weekly certified payroll reports were not reviewed by the District for correct prevailing wage rates.
- The required prevailing wage rate provision was not included in the District's contract with the prime contractor or in the contracts with the 36 subcontractors.

Without adequate internal controls, the District cannot demonstrate workers were paid prevailing wages as required by the Act. The District could be liable for paying additional wages if prevailing wages were not paid.

Suspension and Debarment

The District was required to contract with the governmental agency for the project due to the type of services needed; however, the District did not verify the contractor's status prior to awarding the contract. Without adequate internal controls over suspension and debarment, the District cannot ensure federal funds are paid to contractors that are eligible to participate in federal programs. Any payments to an ineligible party are unallowable and would be subject to recovery by the funding agency.

However, we were able to verify the contractors were not suspended or debarred and so are not questioning costs for the payments.

Recommendations

We recommend the District establish and follow internal controls to ensure compliance with the Act's requirements, including implementing an effective process to ensure all weekly certified payrolls are collected and reviewed and required provisions of the Act are included in the contracts.

We also recommend the District establish and follow internal controls to ensure contractors are not suspended or debarred from participating in federal programs before entering into contracts.

District's Response

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 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. Nevertheless, the agency values the Auditor's recommendations and commits to improving and maintaining internal controls. This 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 is currently being circulated with the contractor for review and signature. MPT expects the amendment will be fully executed by September 30, 2017.*
- MPT will include more explicit language from the Davis-Bacon Act in its Bid Instruction Manual under the Special Conditions section for*

future projects that include Federal funds.

- *MPT will include detailed Davis-Bacon template language as part of the contract. This will directly inform potential contractors and sub-contractors that the Davis-Bacon Act special condition is a contract requirement that cannot be negotiated.*
- *MPT will also ensure, as part of the agency's normal operating procedure that all contractors and sub-contractors, including public and governmental agencies, are subject to verification and certification that contractors and sub-contractors 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, are working diligently to catch up on the verification of weekly payroll data. In collaboration with the Contractor, MPT staff now have direct electronic access to all payroll data. To date, 2016 payroll has been received and verified and staff is now working on finishing 2017 payroll data. MPT expects to be fully caught up by October 31, 2017.*
- *As part of the updated procedure, MPT staff will have weekly discussions with the Prime Contractor to ensure future payroll data are submitted and verified in a timely manner. MPT also 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. The Prime Contractor has been informed and reminded of MPT's governance rights and responsibilities.*

Auditor's Remarks

We appreciate the actions taken by District staff during the audit. District staff were very helpful during the audit process. We will review these changes during our next audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 200.303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 200.516 Audit findings, establishes reporting requirements for audit findings.

Title 29, *U.S. Code of Federal Regulations* (CFR), Section 5.5 – *Contract provisions and related matters*, establishes required contract provisions with regard to prevailing wages.

Title 29, *U.S. Code of Federal Regulations* (CFR), Section 3.3 – *Weekly statement with respect to payment of wages* establishes weekly certified payroll requirements.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 180, *OMB Guidelines to Agencies on Government wide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

**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, 2016 through December 31, 2016**

Board of Directors
Metropolitan Park District of Tacoma
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 22, 2017. As discussed in Note 5 to the financial statements, during the year ended December 31, 2016, the District implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and Statement No. 77, *Tax Abatement Disclosures*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we will report to the management of the District in a separate letter dated September 22, 2017.

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.

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

June 22, 2017

**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, 2016 through December 31, 2016**

Board of Directors
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, 2016. 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, 2016.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-001 to be material weaknesses.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Pat McCarthy

State Auditor

Olympia, WA

September 22, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Metropolitan Park District of Tacoma Pierce County January 1, 2016 through December 31, 2016

Board of Directors
Metropolitan Park District of Tacoma
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, Pierce County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 22.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Park District of Tacoma, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 5 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and Statement No. 77, *Tax Abatement Disclosures*. 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 on pages 23 through 34 and pension plan information on pages 65 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 June 22, 2017 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

June 22, 2017

FINANCIAL SECTION

Metropolitan Park District of Tacoma Pierce County January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2016

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and
Actual – General Fund – 2016

Statement of Net Position – Proprietary Funds – 2016

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2016

Statement of Cash Flows – Proprietary Funds – 2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2016

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016

Notes to the Schedule of Expenditures of Federal Awards – 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Metropolitan Park District of Tacoma (Metro Parks) presents this narrative overview and analysis of the financial activities of Metro Parks during the year ended December 31, 2016. 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 2016 the assets and deferred outflows of resources of Metro Parks exceeded its liabilities and deferred inflows by \$118.5 million, an increase of \$17.0 million.
- District-wide revenues were \$79.6 million (up \$6.2 million) while expenses were \$62.6 million (up \$6.3 million). Revenue increases can be explained by a \$4.2 million increase in capital grants and contributions; an \$800 thousand increase in charges for services due to higher attendance and admissions fees received at the zoo & aquarium and wildlife park; and an increase in program revenues throughout the district. The most significant intergovernmental grant was \$9.3 million from the Washington State Department of Ecology for waterfront management and trail development. New facilities and amenities completed in 2016 and new initiatives resulted in increased operating expenses for staffing and maintenance.
- At the close of 2016, Metro Parks' governmental funds reported a combined ending Fund Balance of \$83.7 million, an increase of \$47.8 million from 2015. The major factor in the increase was long-term debt proceeds of \$79.3 million less increased capital outlay expenses of \$25.5 million.
- At the close of 2016, Metro Parks' business-type activities reported a combined ending net position of \$34.7 million. This represents an increase of \$1.9 million. The increase can largely be explained by capital contributions of \$2.5 million, less slight increases in operating expenses.
- In accordance with Governmental Accounting Standards Board (GASB) Statement 63 certain deferred inflows and outflows are reported. The deferred charge on refunding was \$2.9 million at the end of 2016, reflecting an increase due to a bond refunding less amortization related to prior balances. Total deferred outflows were \$6.9 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, 2016 totaled \$18.2 million. This amount includes a liability of \$21.8 million plus deferred inflows of \$382 thousand less deferred outflows of \$4.0 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-two 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 2014 GO Debt Service Fund, the 2014 UTGO Bond Projects Fund, the 2014 Bond Local Projects Fund and the 2016 UTGO Bond 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) and the Boathouse Marina are considered Metro Parks' major enterprise funds. The third enterprise fund, Meadow Park Golf Course, is considered a nonmajor fund; however since it is the only nonmajor business-type operation it is reported alongside the other two major funds.

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

FIDUCIARY FUNDS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of Metro Parks' net position (\$120 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 (\$4.6 million) represents resources that are subject to external restrictions on how they may be used.

Governmental activities account for \$263.0 million (82.2%) of total assets and \$83.5 million (70.4%) of total net position. Business-type activities account for \$57.0 million (17.8%) of total assets and \$35.1 million (29.6%) of total net position.

Capital asset accounts increased \$33.7 million in 2016 mainly due to bond-funded capital projects. Current assets increased by \$51.6 million, in large part due to bond proceeds received in 2016.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 94,068,431	\$ 43,169,053	\$ 8,892,656	\$ 8,207,458	\$ 102,961,087	\$ 51,376,511
Capital Assets	168,979,598	135,747,083	48,059,526	47,625,644	217,039,124	183,372,727
Total Assets	\$ 263,048,029	\$ 178,916,136	\$ 56,952,182	\$ 55,833,102	\$ 320,000,211	\$ 234,749,238
Deferred Outflows of Resources	\$ 4,794,124	\$ 3,423,778	\$ 2,093,352	\$ 1,347,470	\$ 6,887,476	\$ 4,771,248
Long-term Liabilities Outstanding	\$ 174,994,862	\$ 106,526,491	\$ 22,403,422	\$ 21,568,554	\$ 197,398,284	\$ 128,095,045
Other Liabilities	9,084,948	5,885,912	1,477,804	1,364,102	10,562,752	7,250,014
Total Liabilities	\$ 184,079,810	\$ 112,412,403	\$ 23,881,226	\$ 22,932,656	\$ 207,961,036	\$ 135,345,059
Deferred Inflows of Resources	\$ 290,030	\$ 1,561,981	\$ 91,713	\$ 1,081,920	\$ 381,743	\$ 2,643,901
Net Position:						
Net Investment in Capital						
Assets	\$ 85,965,000	\$ 68,918,955	\$ 36,420,244	\$ 35,051,379	\$ 119,875,816	\$ 103,970,334
Restricted	4,846,743	4,434,886	2,932	2,933	4,849,675	4,437,819
Unrestricted	(7,339,430)	(4,988,311)	(1,350,581)	(1,888,316)	(5,967,414)	(6,876,627)
Total Net Position	\$ 83,472,313	\$ 68,365,530	\$ 35,072,595	\$ 33,165,996	\$ 118,758,077	\$ 101,531,526

GOVERNMENTAL ACTIVITIES: Overall total revenues exceeded expenses before transfers in governmental activities by \$17.5 million. Governmental activities were funded by program revenues of \$20.1 million (37.4%) and general revenues (primarily taxes) of \$33.7 million (62.6%). Parks and Natural Resources, Planning and Development and Tacoma Nature Center are more heavily supported by general revenues (77%, 100%, and 60.7%, respectively) than General Government and Recreation and Community Services (-7.0% and 39.3%, respectively).

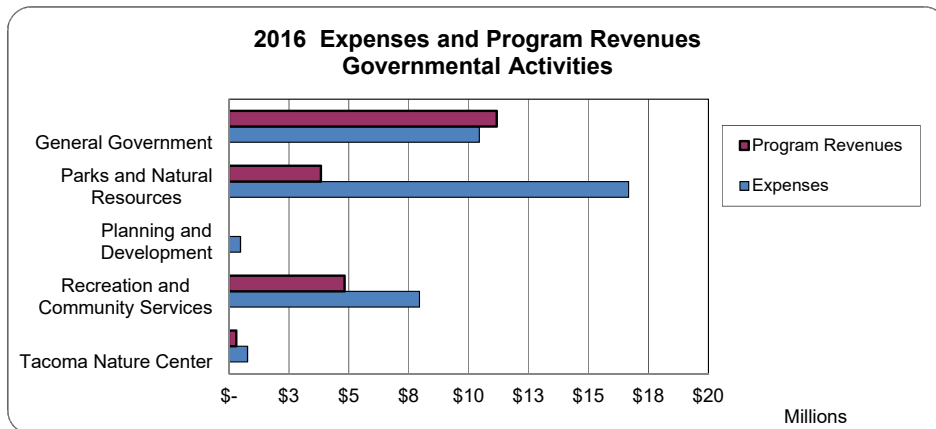
Transfers netting to \$2,401,993 were made for debt service and capital purposes. These transfers decreased the net position in governmental activities and increased the net position in business-type activities.

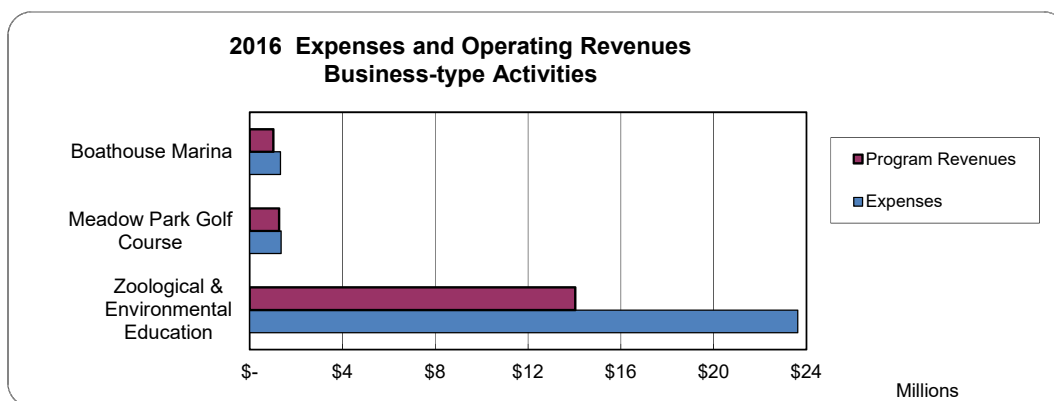
BUSINESS-TYPE ACTIVITIES: Net position before transfers in business-type activities increased by \$1.9 million from 2015. Most of this change was due to increased operating revenues in the Zoological and Environmental Education Fund.

CONDENSED STATEMENT OF CHANGES IN NET POSITION

Summary of Activities	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Services	\$ 6,128,384	\$ 5,405,655	\$ 15,383,847	\$ 14,592,186	\$ 21,512,231	\$ 19,997,841
Operating Grants & Contributions	3,369,325	3,393,782	944,633	1,275,019	4,313,958	4,668,801
Capital Grants & Contributions	10,631,503	6,386,326	-	-	10,631,503	6,386,326
General Revenues						
Total Taxes	33,099,606	32,752,488	9,181,089	9,180,199	42,280,695	41,932,687
Investment Earnings	123,324	96,743	-	-	123,324	96,743
Disposition of Capital Assets	-	-	18,065	7,675	18,065	7,675
Donated Capital Assets	-	-	-	69,290	-	69,290
Miscellaneous Revenue	452,388	356,767	281,551	229,408	733,939	586,175
Total Revenues	\$ 53,804,530	\$ 48,391,761	\$ 25,809,185	\$ 25,353,777	\$ 79,613,715	\$ 73,745,538
Expenses						
General Government	\$ 10,441,128	\$ 8,774,293	\$ -	\$ -	\$ 10,441,128	\$ 8,774,293
Parks and Natural Resources	16,665,570	15,197,486	-	-	16,665,570	15,197,486
Planning and Development	482,462	692,779	-	-	482,462	692,779
Recreation & Community Services	7,947,700	7,438,860	-	-	7,947,700	7,438,860
Tacoma Nature Center	774,188	757,572	-	-	774,188	757,572
Marina Activities	-	-	1,325,757	1,388,504	1,325,757	1,388,504
Golf Course Activities	-	-	1,355,172	1,423,154	1,355,172	1,423,154
Zoological Activities	-	-	23,623,650	20,676,544	23,623,650	20,676,544
Total Expenses	\$ 36,311,048	\$ 32,860,990	\$ 26,304,579	\$ 23,488,202	\$ 62,615,627	\$ 56,349,192
Increase (Decrease) in net position before transfers	\$ 17,493,482	\$ 15,530,771	\$ (495,394)	\$ 1,865,575	\$ 16,998,088	\$ 17,396,346
Transfers In (Out)	\$ (2,401,993)	\$ (1,189,553)	\$ 2,401,993	\$ 1,189,553	\$ -	\$ -
Increase (Decrease) in net position	\$ 15,091,489	\$ 14,341,218	\$ 1,906,599	\$ 3,055,128	\$ 16,998,088	\$ 17,396,346
Change in Net Position						
Beginning Net Position (before restatement)	\$ 68,380,824	\$ 64,547,823	\$ 33,165,996	\$ 37,803,166	\$ 101,546,820	\$ 102,350,989
Adjustments	-	(10,523,511)	-	(7,692,298)	-	(18,215,809)
Beginning Net Position	\$ 68,380,824	\$ 54,024,312	\$ 33,165,996	\$ 30,110,868	\$ 101,546,820	\$ 84,135,180
Increase (Decrease) in net position	15,091,489	14,341,218	1,906,599	3,055,128	16,998,088	17,396,346
Ending Net Position	\$ 83,472,313	\$ 68,365,530	\$ 35,072,595	\$ 33,165,996	\$ 118,544,908	\$ 101,531,526

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





FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

The General Fund is the chief operating fund of Metro Parks. At the end of 2016, the unassigned Fund Balance of the General Fund was \$5.6 million, an increase of \$500 thousand. 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 21.3% of total expenditures.

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

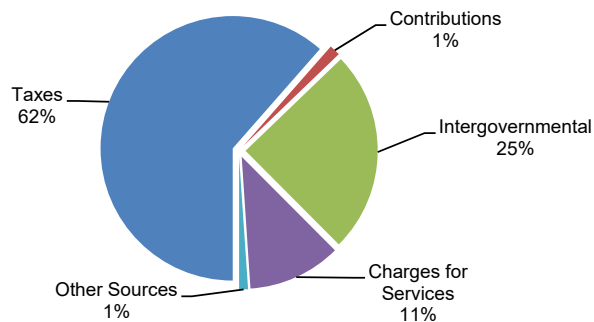
Revenues and Other Financing Sources. The governmental activity Revenues and Other Financing Sources increased by \$5.5 million mainly due to an increase of \$4.7 million in intergovernmental revenue and a \$700 thousand increase in charges for services. Taxes and intergovernmental revenue combined account for 86.2% of the total revenue excluding other financing sources.

The chart below shows the revenues by source with percentages.

SUMMARY OF REVENUES AND OTHER FINANCING SOURCES - GOVERNMENTAL ACTIVITIES

	Amount		Increases (Decreases)	
	2016	2015	Amount	Percent
Revenue				
Taxes Revenue	\$ 33,034,380	\$ 32,634,590	\$ 399,790	1.2%
Intergovernmental Revenue	13,281,571	8,546,382	4,735,189	55.4%
Charges for Services	6,128,384	5,405,655	722,729	13.4%
Investment Earnings	123,324	96,743	26,581	27.5%
Contributions	719,257	1,233,726	(514,469)	-41.7%
Miscellaneous Revenue	452,388	356,767	95,621	26.8%
Total Revenue	\$ 53,739,304	\$ 48,273,863	\$ 5,465,441	11.3%
Other Financing Sources	79,976,677	4,593,610	75,383,067	1641.0%
Total Funding Sources	\$ 133,715,981	\$ 52,867,473	\$ 80,848,508	152.9%

2016 Revenues by Source - Governmental Activities

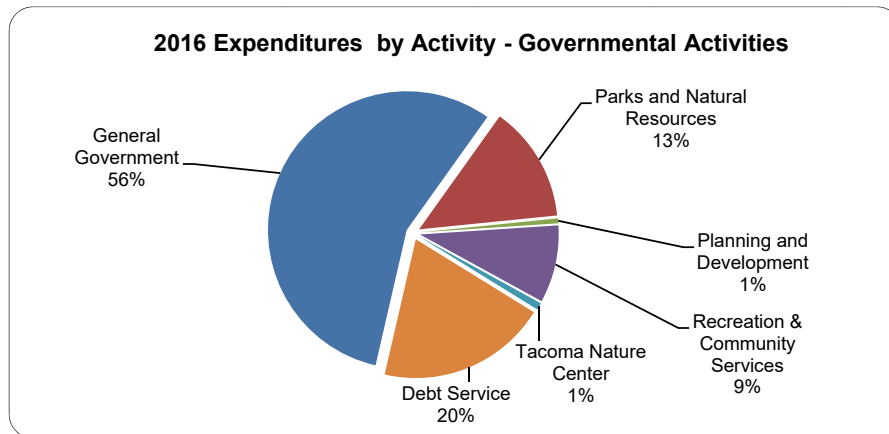


Expenditures and Other Financing Uses. Overall governmental activity Expenditures and Other Financing Uses increased \$20.6 million (31.5%) from 2015 levels, due to increases in capital outlay and debt service expenditures. General Government expenditures account for 56% of total expenditures and uses.

The chart below shows expenditures by activity with percentages.

SUMMARY OF EXPENDITURES AND OTHER FINANCING USES - GOVERNMENTAL ACTIVITIES

	Amount		Increases (Decreases)	
	2016	2015	Amount	Percent
Expenditures				
General Government	\$ 48,131,761	\$ 21,348,547	\$ 26,783,214	125.5%
Parks & Natural Resources	11,585,786	10,542,609	1,043,177	9.9%
Planning and Development	484,197	608,017	(123,820)	-20.4%
Recreation & Community	7,736,014	7,176,536	559,478	7.8%
Tacoma Nature Center	699,965	691,817	8,148	1.2%
Debt Service	16,948,289	19,231,909	(2,283,620)	-11.9%
Total Expenditures	\$ 85,586,012	\$ 59,599,435	\$ 25,986,577	43.6%
Other Financing Uses	355,799	5,778,990	(5,423,191)	-93.8%
Total Expenditures & Uses	\$ 85,941,811	\$ 65,378,425	\$ 20,563,386	31.5%



FINANCIAL ANALYSIS OF THE BUSINESS-TYPE FUNDS

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

The Zoological and Environmental Education fund is the largest of the three enterprise funds accounting for 90.8% of the total Revenues and Other Resources and 89.8% of the total Expenses and Other Uses of the business-type activities. The major sources of revenue for this fund were operations which provided \$13 million (55%) and taxes which totaled \$9.2 million (39%) of the fund's resources.

The Boathouse Marina accounts for 3.6% of the total Revenues and Other Resources and 5% of the total Expenses and Other Uses in the business-type activities. Operating revenues provided \$1 million (100%) of the fund's total revenues and other resources.

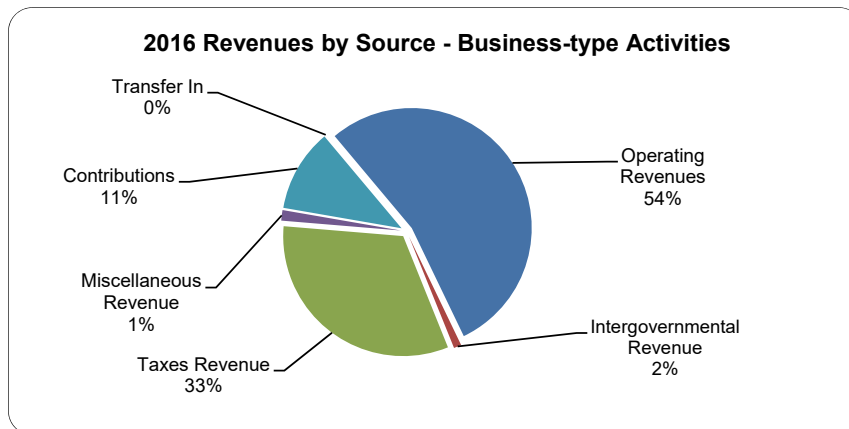
Meadow Park Golf Course accounts for 4.5% of the total Revenues and Other Resources and 5% of the total Expenses and Other Uses. Operations provided for nearly all of the revenues and expenses of this fund.

Revenues and Other Sources. The largest revenue increases are capital contributions (\$2.5 million).

The chart below shows the revenues by source with percentages.

SUMMARY OF REVENUES AND OTHER SOURCES - BUSINESS-TYPE ACTIVITIES

	Amount		Increases (Decreases)	
	2016	2015	Amount	Percent
Revenue				
Operating Revenues	\$ 15,283,664	\$ 14,375,818	\$ 907,846	6.3%
Taxes Revenue	9,181,089	9,180,199	890	0.0%
Intergovernmental Revenue	292,851	304,977	(12,126)	-4.0%
Grants & Contributions	651,782	970,042	(318,260)	-32.8%
Miscellaneous Revenue	399,799	453,451	(53,652)	-11.8%
Total Revenue	\$ 25,809,185	\$ 25,284,487	\$ 524,698	2.1%
Transfers In	\$ -	1,538,947	(1,538,947)	-
Capital Contributions	2,509,428	69,290	2,440,138	-
Total Funding Sources	\$ 28,318,613	\$ 26,892,724	\$ 1,425,889	5.3%



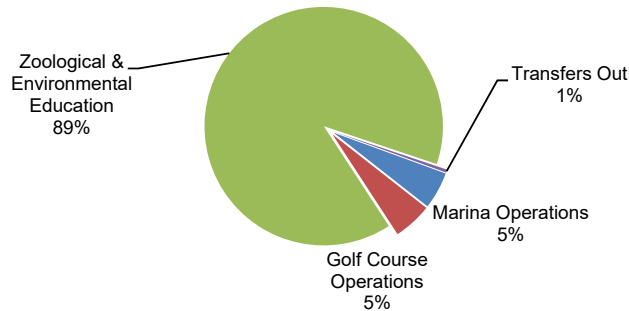
Expenses and Uses. Operations expenses increased 11.9% (\$2.8 million) from 2015 to 2016 primarily due to increases in the Zoological & Environmental Education fund.

The chart below shows expenses by activity with percentages.

SUMMARY OF EXPENSES AND OTHER USES - BUSINESS-TYPE ACTIVITIES

	Amount		Increases (Decreases)	
	2016	2015	Amount	Percent
Expenses				
Marina Operations	\$ 1,330,193	\$ 1,395,825	\$ (65,632)	-4.7%
Golf Course Operations	1,376,548	1,446,445	(69,897)	-4.8%
Zoological & Environmental Education Operations	23,610,188	20,682,430	2,927,758	14.2%
Total Expenses	\$ 26,316,929	\$ 23,524,700	\$ 2,792,229	11.9%
Transfers Out	107,435	349,394	(241,959)	-69.3%
Total Uses	\$ 26,424,364	\$ 23,874,094	\$ 2,550,270	10.7%

2016 Expenses by Activity - Business-type Activities



GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Comparisons. Metro Parks adopted a biennial budget covering the 2015 and 2016 calendar years. This budget adopted by the Board of Park Commissioners for the General Fund anticipated revenues and transfers of \$50.8 million. With appropriations set at \$51.1 million, fund balance would decrease by \$300 thousand. The following budget amendments occurred in 2015-2016 biennium:

- As a result of a new adaptive sports grant, 2015 revenues and expenditures were both increased by \$65,000 in Recreation and Community Services.
- As a result of increased contributions revenue, 2016 revenues and expenditures were both increased by \$9,000 in Parks and Natural Resources.
- A final amendment was approved to decrease general fund revenue by a net amount of \$20,195 to reflect increases in sales tax revenue and reductions in revenue related to programming changes; and increased expenditures by \$392,805 to reflect additional funding for a new software registration software, a new park ranger program and visitor experience enhancements at Point Defiance

The variance of 2015-2016 actual expenses with the amended budget equaled an excess of \$2.0 million. In 2015-2016, revenue totaled 102.3% of the two-year budget while expenditures totaled 97.8%

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 \$217 million at December 31, 2016. 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 \$33.7 million in 2016. This increase represents spending of capital debt proceeds.
- Governmental activity capital assets represent 77.9% 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 22.1% 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 2016 Metro Parks had total long-term liabilities outstanding of \$197.4 million; \$175.0 million in governmental activities (88.7%) and \$22.4 million in business-type activities (11.3%). 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 \$172.4 million; \$160.3 million in governmental activities and \$12.1 million in business-type activities. All bonded debt is backed by the full faith and credit of Metro Parks. Bonded debt increased due to issuance of debt to finance capital projects.
- Notes payable total \$67,870. This amount is made up of two loans. Both loans were for the purchase of equipment and have balances of \$50,787 and \$17,083 as of December 31, 2016.
- Compensated absences represent estimated vacation, compensatory time, and sick leave due to employees. The total in governmental activities is \$1.8 million and the total in business-type activities is \$1.3 million.
- Net pension liability represents unfunded amounts related to the State pension plans which Metro Parks participates in. The total in governmental activities is \$12.8 million and the total in business type activities is \$9.1 million. Additional information about pension plans and pension liabilities can be found in Note 5.B to the financial statements.

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 19th Street, Tacoma, WA 98405.

METROPOLITAN PARK DISTRICT OF TACOMA
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 37,393,563	\$ 6,313,135	\$ 43,706,698
Investments	50,017,700	-	50,017,700
Receivables (net)	6,647,361	2,438,232	9,085,593
Internal Balances	(58,174)	58,174	-
Inventories	67,981	80,183	148,164
Temporarily Restricted Assets:			
Receivables - Bond Related	-	2,932	2,932
Capital Assets (net of accumulated depreciation):			
Land	35,742,799	4,442,712	40,185,511
Buildings	37,150,020	18,385,044	55,535,064
Infrastructure	36,378,863	21,162,789	57,541,652
Equipment	3,731,017	2,304,970	6,035,987
Collections	567,169	56,390	623,559
Construction in Progress	55,409,730	1,707,621	57,117,351
Total Assets	\$ 263,048,029	\$ 56,952,182	\$ 320,000,211
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	\$ 2,483,441	\$ 401,145	\$ 2,884,586
Deferred Outflows Related to Pensions	2,310,683	1,692,207	4,002,890
Total Deferred Outflows of Resources	\$ 4,794,124	\$ 2,093,352	\$ 6,887,476
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 8,695,422	\$ 1,378,775	\$ 10,074,197
Unearned Revenue	327,103	91,627	418,730
Other Current Liabilities	62,423	7,402	69,825
Noncurrent Liabilities:			
Due within One Year	15,532,341	1,971,505	17,503,846
Due in More Than One Year	159,462,521	20,431,917	179,894,438
Total Liabilities	\$ 184,079,810	\$ 23,881,226	\$ 207,961,036
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	\$ 290,030	\$ 91,713	\$ 381,743
Total Deferred Inflows of Resources	\$ 290,030	\$ 91,713	\$ 381,743
NET POSITION			
Net Investment in Capital Assets	\$ 85,965,000	\$ 36,420,244	\$ 119,875,816
Restricted for:			
Debt Service	2,024,913	2,932	2,027,845
Capital Projects	2,740,646	-	2,740,646
Other	81,184	-	81,184
Unrestricted	(7,339,430)	(1,350,581)	(6,180,583)
Total Net Position	\$ 83,472,313	\$ 35,072,595	\$ 118,544,908

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, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 6,906,290	\$ 288,537	\$ 249,359	\$ 10,631,503	\$ 4,263,109		\$ 4,263,109
Parks and Natural Resources	16,665,570	1,350,912	2,483,218	-	(12,831,440)		(12,831,440)
Planning and Development	482,462	-	-	-	(482,462)		(482,462)
Recreation and Community Services	7,947,700	4,193,837	627,780	-	(3,126,083)		(3,126,083)
Tacoma Nature Center	774,188	295,098	8,968	-	(470,122)		(470,122)
Interest on Long-term Debt	3,534,838	-	-	-	(3,534,838)		(3,534,838)
Total Governmental Activities	\$ 36,311,048	\$ 6,128,384	\$ 3,369,325	\$ 10,631,503	\$ (16,181,836)		\$ (16,181,836)
BUSINESS-TYPE ACTIVITIES:							
Boathouse Marina	\$ 1,325,757	\$ 1,021,382	\$ 1,069	\$ -		\$ (303,306)	\$ (303,306)
Meadow Park Golf Course	1,355,172	1,269,198	768	-		(85,206)	(85,206)
Zoological & Environmental Education	23,623,650	13,093,267	942,796	-		(9,587,587)	(9,587,587)
Total Business-type Activities	\$ 26,304,579	\$ 15,383,847	\$ 944,633	\$ -		\$ (9,976,099)	\$ (9,976,099)
TOTAL GOVERNMENT	\$ 62,615,627	\$ 21,512,231	\$ 4,313,958	\$ 10,631,503	\$ (16,181,836)	\$ (9,976,099)	\$ (26,157,935)
GENERAL REVENUES:							
Property Taxes					\$ 30,895,396	\$ 1,297,229	\$ 32,192,625
Sales Taxes					1,943,227	7,883,860	9,827,087
Leasehold Excise Taxes					260,983	-	260,983
Investment Earnings					123,324	-	123,324
Gain on Disposition of Assets					-	18,065	18,065
Miscellaneous General Revenues					452,388	281,551	733,939
Transfers					(2,401,993)	2,401,993	-
Total General Revenues & Transfers					\$ 31,273,325	\$ 11,882,698	\$ 43,156,023
Change in Net Position					\$ 15,091,489	\$ 1,906,599	\$ 16,998,088
Net Position - Beginning of Year					\$ 68,380,824	\$ 33,165,996	\$ 101,546,820
Net Position - End of Year					\$ 83,472,313	\$ 35,072,595	\$ 118,544,908

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

METROPOLITAN PARK DISTRICT OF TACOMA
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	2014 GO Debt Service	2014 UTGO Bond Projects	2016 UTGO Bond Projects	2014 Bond Local Projects	Other Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Cash & Cash Equivalents	\$ 7,250,794	\$ 920,313	\$ 254,663	\$ 21,735,577	\$ 397	\$ 6,478,789	\$ 36,640,533
Investments	-	-	-	50,017,700	-	-	50,017,700
Receivables (net)	1,318,520	273,614	-	-	3,743,403	515,563	5,851,100
Interfund Receivable	805,000	-	-	2,763,000	-	-	3,568,000
Inventories	67,981	-	-	-	-	-	67,981
Total Assets	\$ 9,442,295	\$ 1,193,927	\$ 254,663	\$ 74,516,277	\$ 3,743,800	\$ 6,994,352	\$ 96,145,314
Deferred Outflows of Resources							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 9,442,295	\$ 1,193,927	\$ 254,663	\$ 74,516,277	\$ 3,743,800	\$ 6,994,352	\$ 96,145,314
LIABILITIES							
Accounts Payable/Accrued Expenditures	\$ 2,902,298	\$ -	\$ 245,624	\$ 3,961,441	\$ 897,748	\$ 418,305	\$ 8,425,416
Interfund Payable	-	-	-	-	2,763,000	144,000	2,907,000
Unearned Revenue	281,489	-	-	-	-	45,614	327,103
Deposits Payable	55,979	-	-	-	-	-	55,979
Other Current Liabilities	6,444	-	-	-	-	-	6,444
Total Liabilities	\$ 3,246,210	\$ -	\$ 245,624	\$ 3,961,441	\$ 3,660,748	\$ 607,919	\$ 11,721,942
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	\$ 362,036	\$ 233,490	\$ -	\$ -	\$ -	\$ 169,553	\$ 765,079
Total Deferred Inflows of Resources	\$ 362,036	\$ 233,490	\$ -	\$ -	\$ -	\$ 169,553	\$ 765,079
FUND BALANCES							
<i>Nonspendable:</i>							
Inventory & Prepaids	\$ 67,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,981
<i>Restricted:</i>							
Debt Service	-	960,437	-	-	-	661,433	1,621,870
Capital Improvements	131,985	-	9,039	70,554,836	83,052	4,345,971	75,124,883
Other	81,184	-	-	-	-	-	81,184
<i>Assigned to:</i>							
Capital Projects Funds	-	-	-	-	-	1,209,476	1,209,476
<i>Unassigned</i>	5,552,899	-	-	-	-	-	5,552,899
Total Fund Balances	\$ 5,834,049	\$ 960,437	\$ 9,039	\$ 70,554,836	\$ 83,052	\$ 6,216,880	\$ 83,658,293
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,442,295	\$ 1,193,927	\$ 254,663	\$ 74,516,277	\$ 3,743,800	\$ 6,994,352	

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	\$ 35,742,799	
Buildings	53,169,592	
Infrastructure	60,787,669	
Machinery & Equipment	7,684,846	
Collections	567,169	
Construction in Progress	55,409,730	
Accumulated Depreciation	(45,620,753)	\$ 167,741,052

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

Bonds and Notes Payable	\$ (157,891,180)	
Net Pension Liability	\$ (10,767,303)	
Compensated Absences	(1,815,202)	\$ (170,473,685)

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.

\$ 765,079

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

\$ 1,781,574

Net position of governmental activities

\$ 83,472,313

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, 2016

	General Fund	2014 GO Debt Service	2014 UTGO Bond Projects	2016 UTGO Bond Projects	2014 Bond Local Projects	Other Governmental Funds	Total
REVENUES							
<i>Taxes:</i>							
Property Taxes	\$ 14,452,302	\$ 10,907,054	\$ -	\$ -	\$ -	\$ 5,470,814	\$ 30,830,170
Sales Taxes	1,943,227	-	-	-	-	-	1,943,227
Leasehold Excise Taxes	260,983	-	-	-	-	-	260,983
Intergovernmental	2,946,962	-	-	-	10,319,051	15,558	13,281,571
Charges for Services	6,086,279	-	-	-	-	42,105	6,128,384
Investment Earnings	15,231	15,345	71,754	-	-	20,994	123,324
Contributions	422,363	-	-	-	296,894	-	719,257
Other Miscellaneous Revenue	439,901	-	-	-	12,262	225	452,388
Total Revenues	\$ 26,567,248	\$ 10,922,399	\$ 71,754	\$ -	\$ 10,628,207	\$ 5,549,696	\$ 53,739,304
EXPENDITURES							
<i>Current:</i>							
General Government	\$ 5,460,911	\$ -	\$ 626,631	\$ 26,248	\$ -	\$ 643,166	\$ 6,756,956
Parks and Natural Resources	11,363,847	-	-	-	-	-	11,363,847
Planning and Development	479,150	-	-	-	-	-	479,150
Recreation and Community Services	7,730,967	-	-	-	-	-	7,730,967
Tacoma Nature Center	685,426	-	-	-	-	-	685,426
<i>Debt Service:</i>							
Principal	94,536	9,970,000	-	-	-	2,845,200	12,909,736
Interest	2,713	763,275	-	-	-	2,875,222	3,641,210
Other Bond Costs	-	725	-	392,229	-	4,389	397,343
<i>Capital Outlay:</i>							
General Government	12,864	-	21,999,484	8,256,883	10,565,281	540,293	41,374,805
Parks and Natural Resources	221,939	-	-	-	-	-	221,939
Recreation and Community Services	5,047	-	-	-	-	-	5,047
Tacoma Nature Center	14,539	-	-	-	-	-	14,539
Total Expenditures	\$ 26,071,939	\$ 10,734,000	\$ 22,626,115	\$ 8,675,360	\$ 10,565,281	\$ 6,908,270	\$ 85,580,965
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 495,309	\$ 188,399	\$ (22,554,361)	\$ (8,675,360)	\$ 62,926	\$ (1,358,574)	\$ (31,841,661)
OTHER FINANCING SOURCES (USES)							
Transfers In	\$ 108	-	\$ -	\$ -	\$ 106,081	\$ 357,045	\$ 463,234
Transfers Out	(28,526)	-	(198,364)	(97,291)	-	(31,618)	(355,799)
Issuance of Debt	-	-	-	70,000,000	-	-	70,000,000
Premium on Issuance of Debt	-	-	-	9,327,487	-	-	9,327,487
Issuance of Refunding Bonds	-	-	-	-	-	6,290,000	6,290,000
Premium on Refunding Bonds	-	-	-	-	-	1,143,435	1,143,435
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	(7,433,437)	(7,433,437)
Disposition of Capital Assets	-	-	-	-	-	185,958	185,958
Total Other Financing Sources (Uses)	\$ (28,418)	\$ -	\$ (198,364)	\$ 79,230,196	\$ 106,081	\$ 511,383	\$ 79,620,878
Net Change in Fund Balances	\$ 466,891	\$ 188,399	\$ (22,752,725)	\$ 70,554,836	\$ 169,007	\$ (847,191)	\$ 47,779,217
Fund Balances - Beginning	\$ 5,367,158	\$ 772,038	\$ 22,761,764	\$ -	\$ (85,955)	\$ 7,064,071	\$ 35,879,076
Fund Balances - Ending	\$ 5,834,049	\$ 960,437	\$ 9,039	\$ 70,554,836	\$ 83,052	\$ 6,216,880	\$ 83,658,293

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	\$ 41,616,330	
Depreciation	(5,363,813)	
Net Effect of Capital Assets Sold, Transferred or Retired	(3,189,635)	\$ 33,062,882

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

Debt Proceeds	\$ (76,290,000)	
Premium on Debt	(10,470,922)	
Payment to Escrow	7,433,437	
Debt Retired	12,909,736	\$ (66,417,749)

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.

\$ 65,226

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.

\$ 445,723

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.

\$ 156,190

Change in net position of governmental activities

\$ 15,091,489

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 Biennium Ended December 31, 2016

	<u>Budgeted Biennial Amounts</u>			Variance with
	<u>Original</u>	<u>As Amended</u>	<u>Biennium</u>	<u>Amended Budget -</u>
		<u>at 12/31/16</u>	<u>Actual Through</u>	<u>Positive /</u>
			<u>12/31/16</u>	<u>(Negative)</u>
REVENUES				
<i>Taxes:</i>				
Property	\$ 28,206,043	\$ 28,206,043	\$ 28,190,832	\$ (15,211)
Sales	3,389,024	3,669,024	3,757,852	88,828
Leasehold Excise	400,244	400,244	503,517	103,273
Intergovernmental	6,122,857	5,787,662	6,105,209	317,547
Charges for Services	10,653,332	10,653,332	11,444,829	791,497
Investment Earnings	14,400	14,400	28,521	14,121
Contributions	626,206	735,206	657,898	(77,308)
Other Miscellaneous Revenue	878,934	878,934	789,776	(89,158)
Total Revenues	\$ 50,291,040	\$ 50,344,845	\$ 51,478,434	\$ 1,133,589
<i>Percentage received through 12/31/16</i>			<i>102.3%</i>	
EXPENDITURES				
<i>Current:</i>				
General Government	\$ 10,818,572	\$ 11,196,026	\$ 10,468,389	\$ 727,637
Planning and Development	1,459,174	1,231,720	1,087,167	144,553
Parks and Natural Resources	22,104,486	22,373,486	21,906,456	467,030
Recreation and Community Services	14,645,052	14,653,687	14,907,503	(253,816)
Tacoma Nature Center	1,320,872	1,360,042	1,377,243	(17,201)
<i>Debt Service:</i>				
Principal	251,700	251,700	243,753	7,947
Interest	33,164	33,164	9,202	23,962
<i>Capital Outlay:</i>				
General Government	-	-	156,020	(156,020)
Parks and Natural Resources	408,000	408,000	221,939	186,061
Recreation and Community Services	35,866	35,866	5,047	30,819
Tacoma Nature Center	-	-	14,539	(14,539)
Total Expenditures	\$ 51,076,886	\$ 51,543,691	\$ 50,397,258	\$ 1,146,433
<i>Percentage expended through 12/31/16</i>			<i>97.8%</i>	
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (785,846)	\$ (1,198,846)	\$ 1,081,176	\$ 2,280,022
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 492,864	\$ 492,864	\$ 251,139	\$ (241,725)
Transfers Out	-	-	(28,526)	(28,526)
Total Other Financing Sources (Uses)	\$ 492,864	\$ 492,864	\$ 222,613	\$ (270,251)
Net Change in Fund Balances	\$ (292,982)	\$ (705,982)	\$ 1,303,789	\$ 2,009,771
Fund Balances - Beginning	\$ 4,500,000	\$ 4,500,000	\$ 4,530,260	\$ 30,260
Fund Balances - Ending	\$ 4,207,018	\$ 3,794,018	\$ 5,834,049	\$ 2,040,031

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, 2016

	Business-type Activities				
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total	Governmental Activities - Internal Service
ASSETS					
Current Assets:					
Cash & Cash Equivalents	\$ 5,788,457	\$ 524,131	\$ 547	\$ 6,313,135	\$ 753,030
Receivables (net)	2,382,822	54,330	1,080	2,438,232	796,261
Inventories	6,499	46,081	27,603	80,183	-
Restricted Receivables - Bond Related	2,932	-	-	2,932	-
Total Current Assets	\$ 8,180,710	\$ 624,542	\$ 29,230	\$ 8,834,482	\$ 1,549,291
Noncurrent Assets:					
Capital Assets (net of accumulated depreciation):					
Land	2,829,542	200,000	1,413,170	4,442,712	-
Buildings	15,810,288	2,050,397	524,359	18,385,044	-
Infrastructure	17,150,083	2,630,118	1,382,588	21,162,789	-
Equipment	2,075,205	44,312	185,453	2,304,970	1,238,546
Collections	56,390	-	-	56,390	-
Construction in Progress	1,707,621	-	-	1,707,621	-
Total Noncurrent Assets	\$ 39,629,129	\$ 4,924,827	\$ 3,505,570	\$ 48,059,526	\$ 1,238,546
Total Assets	\$ 47,809,839	\$ 5,549,369	\$ 3,534,800	\$ 56,894,008	\$ 2,787,837
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	401,145	-	-	401,145	-
Deferred Outflows Related to Pensions	1,538,952	64,058	89,197	1,692,207	-
Total Deferred Outflows of Resources	\$ 1,940,097	\$ 64,058	\$ 89,197	\$ 2,093,352	\$ -
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Expenses	\$ 1,289,397	\$ 40,624	\$ 56,156	\$ 1,386,177	\$ 270,006
Interfund Payables	-	-	336,000	336,000	325,000
Compensated Absences	888,924	18,508	21,256	928,688	-
Bonds, Notes, Loans Payable	1,042,817	-	-	1,042,817	17,083
Unearned Revenue	-	-	91,627	91,627	-
Total Current Liabilities	\$ 3,221,138	\$ 59,132	\$ 505,039	\$ 3,785,309	\$ 612,089
Noncurrent Liabilities:					
Compensated Absences	\$ 308,662	\$ 10,562	\$ 55,592	\$ 374,816	\$ -
Bonds, Notes, Loans Payable	10,997,610	-	-	10,997,610	-
Pension Liability	8,225,567	351,313	482,611	9,059,491	-
Total Noncurrent Liabilities	\$ 19,531,839	\$ 361,875	\$ 538,203	\$ 20,431,917	\$ -
Total Liabilities	\$ 22,752,977	\$ 421,007	\$ 1,043,242	\$ 24,217,226	\$ 612,089
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	78,093	6,778	6,842	91,713	-
Total Deferred Inflows of Resources	\$ 78,093	\$ 6,778	\$ 6,842	\$ 91,713	\$ -
NET POSITION					
Net Investment in Capital Assets	\$ 27,989,847	\$ 4,924,827	\$ 3,505,570	\$ 36,420,244	\$ 1,221,463
Restricted for:					
Debt Service	2,932	-	-	2,932	-
Unrestricted	(1,073,913)	260,815	(931,657)	(1,744,755)	954,285
Total Net Position	\$ 26,918,866	\$ 5,185,642	\$ 2,573,913	\$ 34,678,421	\$ 2,175,748
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>\$ 394,174</u>	
Net Position of Business-type Activities				<u>\$ 35,072,595</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, 2016

	Business-type Activities				
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total	Governmental Activities - Internal Service
OPERATING REVENUES					
Zoological & Environmental Education Operations	\$ 12,993,084	\$ -	\$ -	\$ 12,993,084	\$ -
Marina Operations	-	1,021,382	-	1,021,382	-
Golf Course Operations	-	-	1,269,198	1,269,198	-
Other Services	-	-	-	-	4,504,724
Total Operating Revenues	\$ 12,993,084	\$ 1,021,382	\$ 1,269,198	\$ 15,283,664	\$ 4,504,724
OPERATING EXPENSES					
Zoological & Environmental Education Operations	\$ 21,099,171	\$ -	\$ -	\$ 21,099,171	\$ -
Marina Operations	-	1,010,251	-	1,010,251	-
Golf Course Operations	-	-	1,241,747	1,241,747	-
Self Insurance and Claims	-	-	-	-	4,068,632
Depreciation	2,049,940	319,942	128,978	2,498,860	320,585
Total Operating Expenses	\$ 23,149,111	\$ 1,330,193	\$ 1,370,725	\$ 25,850,029	\$ 4,389,217
Operating Income (Loss)	\$ (10,156,027)	\$ (308,811)	\$ (101,527)	\$ (10,566,365)	\$ 115,507
NONOPERATING REVENUES (EXPENSES)					
Property Taxes	\$ 1,297,229	\$ -	\$ -	\$ 1,297,229	\$ -
Sales Taxes	7,883,860	-	-	7,883,860	-
Intergovernmental	291,782	1,069	-	292,851	-
Unrestricted Grants and Contributions	651,014	-	768	651,782	-
Interest Expense	(460,163)	-	-	(460,163)	(4,194)
Debt Issuance and Other Debt Related Costs	(914)	-	-	(914)	-
Gain (Loss) on Disposition of Assets	18,065	-	(5,823)	12,242	57,227
Amortization of Bond Premium/Loss on Refunding	100,183	-	-	100,183	-
Miscellaneous Revenues	274,864	-	6,687	281,551	-
Total Non-operating Revenues (Expenses)	\$ 10,055,920	\$ 1,069	\$ 1,632	\$ 10,058,621	\$ 53,033
Income (Loss) Before Transfers	\$ (100,107)	\$ (307,742)	\$ (99,895)	\$ (507,744)	\$ 168,540
Transfers and Capital Contributions					
Capital Contributions	\$ 2,200,246	\$ -	\$ 309,182	\$ 2,509,428	\$ -
Transfers Out	(107,435)	-	-	(107,435)	-
Change in Net Position	\$ 1,992,704	\$ (307,742)	\$ 209,287	\$ 1,894,249	\$ 168,540
Net Position - Beginning of Year	\$ 24,926,162	\$ 5,493,384	\$ 2,364,626		\$ 2,007,208
Net Position - End of Year	\$ 26,918,866	\$ 5,185,642	\$ 2,573,913		\$ 2,175,748
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				\$ 12,350	
Change in net position of business-type activities				\$ 1,906,599	

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, 2016

	Business-type Activities				Governmental Activities - Internal Service
	Zoological & Environmental Education	Boathouse Marina	Meadow Park Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 12,729,040	\$ 1,021,015	\$ 1,274,091	\$ 15,024,146	\$ 4,504,724
Cash Payments for Goods and Services	(7,921,623)	(486,501)	(574,044)	(8,982,168)	(4,696,696)
Cash Payments to Employees for Services	(13,012,069)	(502,047)	(701,070)	(14,215,186)	-
Net Cash Provided (Used) by Operating Activities	\$ (8,204,652)	\$ 32,467	\$ (1,023)	\$ (8,173,208)	\$ (191,972)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Grants Received	\$ 291,782	\$ 1,069	\$ -	\$ 292,851	\$ -
Sales Tax Received	7,759,606	-	-	7,759,606	-
Donations Received	651,014	-	770	651,784	-
Transfers from Other Funds	-	-	-	-	325,000
Transfers to Other Funds	(107,435)	-	-	(107,435)	-
Net Cash Provided by Noncapital Financing Activities	\$ 8,594,967	\$ 1,069	\$ 770	\$ 8,596,806	\$ 325,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Property Tax Received	\$ 1,297,230	\$ -	\$ -	\$ 1,297,230	\$ -
Acquisition and Construction - Capital Assets	(429,138)	-	-	(429,138)	(490,218)
Proceeds on Disposition of Assets	18,065	-	-	18,065	57,227
Principal Paid on Long Term Debt	(834,800)	-	-	(834,800)	(145,952)
Interest Paid on Long Term Debt	(460,163)	-	-	(460,163)	(4,194)
Other Debt Costs	(914)	-	-	(914)	-
Net Cash Used for Capital and Related Financing Activities	\$ (409,720)	\$ -	\$ -	\$ (409,720)	\$ (583,137)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (19,405)	\$ 33,536	\$ (253)	\$ 13,878	\$ (450,109)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 5,807,862	\$ 490,595	\$ 800	\$ 6,299,257	\$ 1,203,139
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,788,457	\$ 524,131	\$ 547	\$ 6,313,135	\$ 753,030
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (10,156,027)	\$ (308,811)	\$ (101,527)	\$ (10,566,365)	\$ 115,507
Miscellaneous Revenues	274,864	-	6,687	281,551	-
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	\$ 2,049,940	\$ 319,942	\$ 128,978	\$ 2,498,860	\$ 320,585
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(509,447)	(366)	1,003	(508,810)	(796,261)
(Increase) Decrease in Due From Other Governments	(29,461)	-	-	(29,461)	-
(Increase) Decrease in Inventory	39,960	2,446	11,148	53,554	-
Increase (Decrease) in Accounts Payable & Accrued Expenses	104,970	5,446	(6,611)	103,805	168,197
Increase (Decrease) in Due to Other Funds	10,448	-	(50,000)	(39,552)	-
Increase (Decrease) in Due to Other Governments	-	10,904	(209)	10,695	-
Increase (Decrease) in Compensated Absences	10,101	2,906	12,305	25,312	-
Increase (Decrease) in Unearned Revenue	-	-	(2,797)	(2,797)	-
Total Adjustments	\$ 1,676,511	\$ 341,278	\$ 93,817	\$ 2,111,606	\$ (307,479)
Net Cash Provided (Used) by Operating Activities	\$ (8,204,652)	\$ 32,467	\$ (1,023)	\$ (8,173,208)	\$ (191,972)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
CAPITAL ASSETS CONTRIBUTED FROM					
Governmental Activities	\$ 2,200,246	\$ -	\$ 309,182	\$ 2,509,428	\$ -
TOTAL NON-CASH CONTRIBUTIONS	\$ 2,200,246	\$ -	\$ 309,182	\$ 2,509,428	\$ -

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

METROPOLITAN PARK DISTRICT OF TACOMA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. THE REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Metro Parks reports the following major governmental funds:

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

The *2014 GO Bond Debt Service Fund* accounts for repayment of principal and interest on the \$33.4 million of voter-approved bonds issued in 2014.

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

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).

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, 2016 is furnished in Note 4-D to these financial statements.

3. Inventories And Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

6. Construction Commitments

Metro Parks has active construction project contracts totaling \$58,684,290 at December 31, 2016. 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, 2016			
		Current Portion	Long-term Portion
Vacation	\$	1,425,092	\$ 540,276
Sick Leave		692,503	416,243
Compensatory Time		44,592	-
Total	\$	2,162,187	\$ 956,519
Governmental Funds	\$	1,233,499	\$ 581,703
Proprietary Funds		928,688	374,816
Total	\$	2,162,187	\$ 956,519

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.

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 \$446 thousand reported, \$11 thousand represents a decrease in liability for compensated absences, \$51 thousand represents a decrease in liability for pension obligations and \$508 thousand represents amortization of bond premiums and deferred charges on refunding which are not included in the governmental fund statements.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

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

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

When the Board of Park Commissioners determines that it is in the best interest of Metro Parks to increase or decrease the appropriation for a particular fund or department, it may do so by resolution approved by a simple majority. The General Fund budget was amended three times during the 2015-2016 biennium. The first amendment was a \$65,000 increase in intergovernmental revenues in the Recreation department due to new grant revenue, offset by a \$65,000 increase in operating expenditures. The second amendment increased contributions revenue by \$9,000, offset by an increase of the same amount in Parks and Natural Resources Department operating expenditures. The final amendment decreased general fund revenue by a net amount of \$20,195 to reflect increases in sales tax revenue and reductions in revenue related to programming changes; and increased expenditures by \$392,805 to reflect additional funding for a new software registration software, a new park ranger program and visitor experience enhancements at Point Defiance.

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

B. LEGAL AND CONTRACTUAL COMPLIANCE

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

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A – CASH AND INVESTMENTS

In accordance with state statute, Pierce County is the ex-officio treasurer for Metro Parks. As such, it holds all of the District's cash and investments except for imprest and clearing accounts. All cash and time deposits are entirely insured or collateralized through federal depository insurance with the balance of the deposits collateralized by the state's multiple financial institution collateral pool. Metro

Parks' Comprehensive Financial Management Policy requires the deposit and investment of public funds "in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of Metro Parks and conforming to all state and local statutes governing the investment of public funds". Chapter 39.58 of the Revised Code of Washington requires public monies to be deposited in only "qualified public depositories", as designated by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is also the monitoring state agency for the multiple financial institution collateral pool for public money deposits in the state.

DEPOSITS. At year-end, the carrying amount and bank balance of Metro Parks' deposits was \$93,724,398. 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, 2016, the Pierce County Treasurer was holding \$49,180,000 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 \$50,017,000 in certificates of deposit on behalf of Metro Parks. The four separate certificates of deposit have varying maturity dates of less than two-years from issue.

FAIR MARKET 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, 2016 are based on level 1 inputs.

OTHER. Metro Parks has an additional \$81,395 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	2014 GO Debt Service Fund	2014 Bond Local Fund	Nonmajor Governmental Funds	Zoological & Environmental Education	Nonmajor Proprietary Funds	Total
Accounts	\$ 476,325	\$ -	\$ -	\$ -	\$ 798,139	\$ 941,186	\$ 2,215,650
Taxes	779,338	273,614	-	197,288	1,452,607	-	2,702,847
Intergovernmental	213,335	-	3,743,403	68,776	135,008	-	4,160,522
Interest	-	-	-	249,499	-	-	249,499
Gross Receivables	\$ 1,468,998	\$ 273,614	\$ 3,743,403	\$ 515,563	\$ 2,385,754	\$ 941,186	\$ 9,328,518
Less: Allowance for Uncollectible	(150,478)	-	-	-	-	(89,515)	(239,993)
Total	\$ 1,318,520	\$ 273,614	\$ 3,743,403	\$ 515,563	\$ 2,385,754	\$ 851,671	\$ 9,088,525

C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

<i>Governmental Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 36,042,799	\$ -	\$ 300,000	\$ 35,742,799
Collections	567,169	-	-	567,169
Construction in progress	20,795,350	41,590,460	6,976,080	55,409,731
Total capital assets not being depreciated	\$ 57,405,318	\$ 41,590,460	\$ 7,276,080	\$ 91,719,699
Capital assets being depreciated:				
Buildings	\$ 53,638,359	\$ 43,465	\$ 512,325	\$ 53,169,499
Infrastructure	56,582,308	4,308,286	103,137	60,787,457
Machinery, equipment, and vehicles	10,423,042	662,609	663,647	10,422,004
Total capital assets being depreciated	\$ 120,643,709	\$ 5,014,360	\$ 1,279,109	\$ 124,378,960
Less accumulated depreciation for:				
Buildings	\$ (14,496,774)	\$ (1,782,178)	\$ (259,473)	\$ (16,019,479)
Infrastructure	(21,544,424)	(2,963,990)	(99,820)	(24,408,594)
Machinery, equipment, and vehicles	(6,260,746)	(938,230)	(507,988)	(6,690,988)
Total accumulated depreciation	\$ (42,301,944)	\$ (5,684,398)	\$ (867,281)	\$ (47,119,061)
Total capital assets being depreciated, net	\$ 78,341,765	\$ (670,038)	\$ 411,828	\$ 77,259,899
Governmental activities capital assets, net	\$ 135,747,083	\$ 40,920,422	\$ 7,687,908	\$ 168,979,598

<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	-	-	56,390
Construction in progress	1,537,906	169,715	-	1,707,621
Total capital assets not being depreciated	\$ 6,037,008	\$ 169,715	\$ -	\$ 6,206,723
Capital assets being depreciated:				
Buildings	\$ 37,426,979	\$ 48,466	\$ -	\$ 37,475,445
Infrastructure	34,107,344	2,434,618	-	36,541,962
Machinery, equipment, and vehicles	9,241,149	284,306	94,437	9,431,018
Total capital assets being depreciated	\$ 80,775,472	\$ 2,767,390	\$ 94,437	\$ 83,448,425
Less accumulated depreciation for:				
Buildings	\$ (18,065,354)	\$ (1,025,047)	\$ -	\$ (19,090,401)
Infrastructure	(14,359,209)	(1,019,964)	-	(15,379,173)
Machinery, equipment, and vehicles	(6,762,273)	(453,849)	(90,074)	(7,126,048)
Total accumulated depreciation	\$ (39,186,836)	\$ (2,498,860)	\$ (90,074)	\$ (41,595,622)
Total capital assets being depreciated, net	\$ 41,588,636	\$ 268,530	\$ 4,363	\$ 41,852,803
Business-type activities capital assets, net	\$ 47,625,644	\$ 438,245	\$ 4,363	\$ 48,059,526

Depreciation expense was charged to programs as follows:

<i>Governmental activities:</i>	
General Government	\$ 385,861
Parks and Natural Resources	4,949,167
Recreation and Community Services	264,890
Zoological and Environmental Education	84,480
Total depreciation expense - governmental activities	\$ 5,684,398
<i>Business-type activities:</i>	
Boathouse Marina	\$ 319,942
Meadow Park Golf Course	128,978
Zoological and Environmental Education	2,049,940
Total depreciation expense - business-type activities	\$ 2,498,860

D – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at December 31, 2016 is as follows:

Interfund receivables/payables:

Receivable Fund	Payable Fund				Total Receivable
	Meadow Park Golf Course	2014 Bond Local Projects	Non Major Governmental	Internal Service Funds	
General Fund	\$ 336,000	-	144,000	325,000	\$ 805,000
2016 Bond Projects	-	2,763,000	-	-	2,763,000
Boathouse Marina	-	-	-	18,827	18,827
Zoological & Environmental Education	-	-	-	171,910	171,910
Meadow Park Golf Course	-	-	-	203,437	203,437
Total Payable	\$ 336,000	\$ 2,763,000	\$ 144,000	\$ 719,174	\$ 3,962,174

The General Fund and the 2016 Bond Projects fund 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	2014 Bond Local	Nonmajor Governmental	Total Transfers Out
General Fund	\$ -	\$ -	\$ 28,526	\$ 28,526
2014 UTGO Bond Projects	-	-	198,364	198,364
2016 UTGO Bond Projects	-	-	97,291	97,291
Nonmajor Governmental	-	-	31,618	31,618
Zoological & Environmental Education	108	106,081	1,246	107,435
Total Transfers In	\$ 108	\$ 106,081	\$ 357,045	\$ 463,234

The purpose of the transfers was to pay for debt service costs (\$32,972) and to fund capital projects (\$430,262).

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	2,070,000
2010 Construction Bonds	5.57%-6.35%	25,025,000	25,025,000
2012 Refunding Bonds	0.5%-4.00%	3,698,150	3,119,100
2014 Construction Bonds	2.00%-5.00%	33,400,000	12,790,000
2014 Refunding Bonds	3.00%-5.00%	18,040,000	18,040,000
2015 Refunding Bonds	2.00%-5.00%	8,087,800	7,507,300
2016 Construction Bonds	2.00%-5.00%	76,290,000	76,290,000
Total Governmental activities		\$ 183,750,950	\$ 144,841,400
<u>Business-type activities</u>			
2012 Refunding Bonds	0.5%-4.00%	6,296,850	5,310,900
2015 Refunding Bonds	2.00%-5.00%	6,192,200	5,747,700
Total Business-type activities		\$ 12,489,050	\$ 11,058,600
Total General Obligation Bonds		\$ 196,240,000	\$ 155,900,000

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	
2017	\$ 12,405,700	\$ 6,512,884	\$ 869,300	\$ 444,834	\$ 20,232,718
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
2022-2026	35,279,100	22,366,929	5,985,900	659,166	64,291,095
2027-2031	47,060,000	11,428,355	-	-	58,488,355
2032-2036	22,545,000	2,645,175	-	-	25,190,175
	\$ 144,841,400	\$ 65,681,022	\$ 11,058,600	\$ 2,580,260	\$ 224,161,282

2. Notes Payable

The Equipment Rental Internal Service fund has one loan outstanding for the purchase of equipment and vehicles for all funds. \$280,500 was borrowed in 2007 and is to be repaid over ten years at an interest rate of 4.4%. \$17,083 was outstanding as of December 31, 2016.

In 2012, the General Fund borrowed \$198,930 to fund fitness equipment. The loan is payable over six years at 3.49% interest. \$50,787 was outstanding at December 31, 2016.

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

Year ending December 31	Governmental Activities		Total
	Principal	Interest	
2017	\$ 52,672	\$ 1,583	\$ 54,255
2018	15,198	133	15,331
	\$ 67,870	\$ 1,716	\$ 69,586

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, 2016 was \$7,390,424.

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, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
General Obligation Bonds	\$ 88,166,600	\$ 76,290,000	\$ 19,615,200	\$ 144,841,400	\$ 12,405,700
Plus premiums deferred	5,850,731	10,470,922	839,219	15,482,434	1,840,471
Notes Payable	306,273	-	238,403	67,870	52,671
Plus premiums deferred	2,085	-	2,085	-	-
Compensated Absences	1,763,871	1,097,825	1,046,494	1,815,202	1,233,499
Net Pension Liability	10,436,931	2,351,025	-	12,787,956	-
Governmental Activities - Long-term Liabilities	\$ 106,526,491	\$ 90,209,772	\$ 21,741,401	\$ 174,994,862	\$ 15,532,341
<i>Business-type Activities</i>					
General Obligation Bonds	\$ 11,893,400	\$ -	\$ 834,800	\$ 11,058,600	\$ 869,300
Plus premiums deferred	1,167,730	-	185,904	981,826	173,517
Compensated Absences	1,278,193	711,880	686,570	1,303,503	928,688
Net Pension Liability	7,229,231	1,830,260	-	9,059,491	-
Business-type Activities - Long-term Liabilities	\$ 21,568,554	\$ 2,542,140	\$ 1,707,274	\$ 22,403,420	\$ 1,971,505

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 \$2,932 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, the designs for that work have been mostly completed and the work is underway. 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 2016, Metro Parks lost property tax revenue of \$228,161. Additionally, \$282,969 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, 2016 was \$2,509,428. 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.

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 179 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance 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, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues 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, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

The current limits of coverage for Metro Parks are:

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

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

B – EMPLOYEE RETIREMENT SYSTEM

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 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (21,847,447)
Deferred outflows of resources	\$ 4,002,889
Deferred inflows of resources	\$ (381,742)
Pension expense/expenditures	\$ 2,544,045

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.

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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

The district's actual and required contributions to the plan were \$58,115 for the year ended December 31, 2016.

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 UUAL 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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The district's actual and required contributions to the PERS 2/3 plans were \$2,466,623 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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 systems the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

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. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). 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, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 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. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market

assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2015, 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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

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.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 12,400,979	\$ 10,283,593	\$ 8,461,452
PERS 2/3	\$ 21,291,135	\$ 11,563,854	\$ (6,019,654)
Total	\$ 33,692,114	\$ 21,847,447	\$ 2,441,798

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, 2016, Metro Parks reported a total pension liability of \$21,847,447 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 10,283,593
PERS 2/3	\$ 11,563,854
Total	\$ 21,847,447

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.186641%	0.191484%	-0.004843%
PERS 2/3	0.221186%	0.229673%	-0.008487%

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, 2016, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, Metro Parks recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 820,772
PERS 2/3	\$ 1,723,273
Total	\$ 2,544,045

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 258,925	\$ -
Contributions subsequent to measurement date	\$ 575,090	\$ -
Total	\$ 834,014	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 615,767	\$ (381,742)
Net difference between projected and actual investment earnings	\$ 1,415,082	\$ -
Changes of assumption	\$ 119,522	
Changes in proportionate share	\$ 303,904	
Contributions subsequent to measurement date	\$ 714,601	\$ -
Total	\$ 3,168,875	\$ (381,742)

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, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense in subsequent years as follows:

Year ended December 31	PERS 1
2017	(63,753)
2018	(63,753)
2019	237,794
2020	148,636
TOTAL	258,925

Year ended December 31	PERS 2/3
2017	106,719
2018	106,719
2019	1,171,694
2020	687,400
TOTAL	2,072,533

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 77, Tax Abatement Disclosures; and GASB Statement 72, Fair Value Measurement and Application.

Metropolitan Park District of Tacoma
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2016 (*measurement date*)
Last 10 Fiscal Years *

Public Employees' Retirement System Plan 1	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability</u>	0.191484%	0.186641%
<u>Employer's proportionate share of the net pension liability</u>	\$ 10,283,593	\$ 9,763,060
<u>Employer's covered employee payroll</u>	\$ 664,495	\$ 808,733
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	1547.58%	1207.20%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	57.03%	59.10%
Public Employees' Retirement System Plans 2 & 3	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability</u>	0.229673%	0.221186%
<u>Employer's proportionate share of the net pension liability</u>	\$ 11,563,854	\$ 7,903,102
<u>Employer's covered employee payroll</u>	\$ 22,434,265	\$ 19,692,604
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	51.55%	40.13%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	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

Schedule of Employer Contributions

As of December 31, 2016

Last 10 Fiscal Years*

Public Employees' Retirement System Plan 1	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 58,115	\$ 76,063
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (58,115)	\$ (76,063)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 528,319	\$ 759,555
<u>Contributions as a percentage of covered employee payroll</u>	11.00%	10.01%
Public Employees' Retirement System Plans 2 & 3	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 2,466,623	\$ 2,082,023
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (2,466,623)	\$ (2,082,023)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Covered employer payroll</u>	\$ 22,384,878	\$ 20,533,783
<u>Contributions as a percentage of covered employee payroll</u>	11.02%	10.14%

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, 2016**

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		
Food And Nutrition Service, Department Of Agriculture (via Washington State Office of Superintendent of Public Instruction (OSPI))	Child and Adult Care Food Program	10.558	160095	7,888	-	7,888	-	
Child Nutrition Cluster								
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	none	78,218	-	78,218	-	
				78,218	-	78,218	-	
Fish And Wildlife Service, Department Of The Interior	Fish and Wildlife Management Assistance	15.608	F14AC00069	-	216,182	216,182	-	
Fish And Wildlife Service, Department Of The Interior (via Washington State Parks & Recreation Commission)	Clean Vessel Act	15.616	CV 315-113	950	-	950	-	
National Park Service, Department Of The Interior (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	14-1694D	11,244	-	11,244	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via City of Tacoma)	Youth Gang Prevention	16.544	2015-JV-FX- K001	7,500	-	7,500	-	

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, 2016**

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		
Department Of Veterans Affairs	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	64.034	2016-ASG-40	-	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	2017-ASG-46	-	16,250	16,250	-	
Department Of Veterans Affairs (via Wheelchair & Ambulatory Sports USA)	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	64.034	none	9,165	-	9,165	-	
			Total CFDA 64.034:	9,165	65,000	74,165	-	
Office Of Solid Waste And Emergency Response, Environmental Protection Agency	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-01J12201-0	-	9,284,294	9,284,294	-	
			Total Federal Awards Expended:	114,964	9,565,476	9,680,441	-	

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, 2016 through December 31, 2016

This schedule presents the corrective action planned by the auditee for findings reported in this report 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). The information in this schedule is the representation of the Metropolitan Park District of Tacoma.

Finding ref number: 2016-001	Finding caption: The District did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) and suspension and debarment requirements.
Name, address, and telephone of auditee contact person: Erwin Vidallon, Chief Financial Officer 4702 S. 19 th Street Tacoma, WA, 98405	
Corrective action the auditee plans to take in response to the finding: <ul style="list-style-type: none"><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 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. Nevertheless, the agency values the Auditor's recommendations and commits to improving and maintaining internal controls. This 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:</i><i>MPT drafted a contract amendment to include the full Davis-Bacon Act language as specified in the CFR. The contract is currently being circulated with the contractor for review and signature. MPT expects the amendment will be fully executed by September 30, 2017.</i>	

- *MPT will include more explicit language from the Davis-Bacon Act in its Bid Instruction Manual under the Special Conditions section for future projects that include Federal funds.*
- *MPT will include detailed Davis-Bacon template language as part of the contract. This will directly inform potential contractors and sub-contractors that the Davis-Bacon Act special condition is a contract requirement that cannot be negotiated.*
- *MPT will also ensure, as part of the agency's normal operating procedure that all contractors and sub-contractors, including public and governmental agencies, are subject to verification and certification that contractors and sub-contractors 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, are working diligently to catch up on the verification of weekly payroll data. In collaboration with the Contractor, MPT staff now have direct electronic access to all payroll data. To date, 2016 payroll has been received and verified and staff is now working on finishing 2017 payroll data. MPT expects to be fully caught up by October 31, 2017.*

As part of the updated procedure, MPT staff will have weekly discussions with the Prime Contractor to ensure future payroll data are submitted and verified in a timely manner. MPT also 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. The Prime Contractor has been informed and reminded of MPT's governance rights and responsibilities.

Anticipated date to complete the corrective action: September 30, 2017

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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