



KING COUNTY
Signature Report

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

May 27, 2015

FCD Resolution

Proposed No. FCD2015-06.1

Sponsors

1 A RESOLUTION relating to the King County Flood
2 Control Zone District's 2014 financial statements and
3 adopting the "King County Flood Control Zone District
4 Financial Statements for the Year Ended December 31,
5 2014."

6 WHEREAS, the King County Flood Control Zone District ("District") board of
7 supervisors desires to adopt the District's financial statements for the year ended
8 December 31, 2014; now, therefore

9 BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE KING
10 COUNTY FLOOD CONTROL ZONE DISTRICT:

11 SECTION 1. The King County Flood Control Zone District board of supervisors

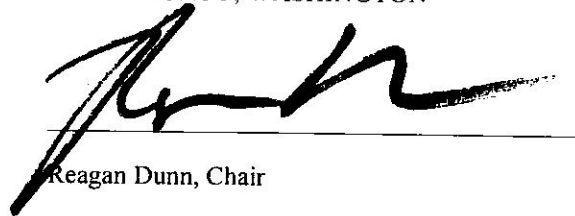
- 12 adopts the "King County Flood Control Zone District Financial Statements for the Year
13 Ended December 31, 2014", attached to this resolution as Attachment A.

14

FCD Resolution was introduced on and passed by the King County Flood Control District on 5/26/2015, by the following vote:

Yes: 7 - Mr. von Reichbauer, Mr. Gossett, Ms. Lambert, Mr. Dunn,
Mr. McDermott, Mr. Dembowski and Mr. Upthegrove
No: 0
Excused: 2 - Mr. Phillips and Ms. Hague

KING COUNTY FLOOD CONTROL DISTRICT
KING COUNTY, WASHINGTON


Reagan Dunn, Chair

ATTEST:



Anne Noris, Clerk of the District

Attachments: A. King County Flood Control Zone District Financial Statements for the Year Ended December 31, 2014

**FRANCIS & COMPANY** PLLC**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

King County Flood Control Zone District
Seattle, Washington

We have compiled the accompanying financial statements of the governmental activities and each major fund information of King County Flood Control Zone District, a component unit of King County, as of and for the year ended December 31, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the District, in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are not material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 1 through 6 and page 20, are 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information has been compiled by us without audit or review and accordingly, we do not express an opinion or provide any assurance on it.

Seattle, Washington
May 4, 2015

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KING COUNTY FLOOD CONTROL ZONE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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accrual basis of accounting. All revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The government-wide financial statements include two statements:

- The statement of net position presents all of the District's assets and liabilities, deferred inflows and outflows of resources, and net position. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes.

All of the District's activities are governmental activities related to flood control programs which are supported by property taxes.

Fund Financial Statements

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District is a special purpose governmental entity and it has one governmental fund, the sole major fund, to finance the flood control services. Unlike the government-wide financial statements, the governmental fund financial statements focus on how cash and other financial assets can readily be converted to available resources and the balances left at year-end that are available for future spending. Such information may be useful in determining whether there will be adequate financial resources available to meet the current needs of the District.

Because the focus on governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities. The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, certain required supplementary information is also presented. The required supplementary information immediately follows the notes to the financial statements.

Government-wide Financial Analysis

The Statement of Net Position presents all of the District's assets, liabilities, deferred inflows and outflows of resources, and net position. The amount of net position is the difference between

Flood controls	51,686,814	24,240,868
Total Expenses	<u>51,686,814</u>	<u>24,240,868</u>
Change in Net Position	<u>830,135</u>	<u>17,120,675</u>
Net Position, Beginning of Year	<u>137,306,237</u>	<u>120,185,562</u>
Net Position, End of Year	<u>\$138,136,372</u>	<u>\$137,306,237</u>

Governmental Fund Financial Analysis

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and the resulting balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net financial resources available for spending at the end of the fiscal year.

Balance Sheet	2014	2013
Total Assets	\$64,142,955	\$70,740,502
Deferred Outflows of Resources	-	-
Total Liabilities	19,747,304	15,651,726
Deferred Inflows of Resources	991,334	884,501
Fund Balances		
Nonspendable – cash advance	4,000,000	4,000,000
Assigned	-	979,732
Unassigned	39,404,317	49,224,543
Total Fund Balances	<u>\$43,404,317</u>	<u>\$54,204,275</u>

As of December 31, 2014, the District's governmental fund reported ending fund balances of \$43.4 million, of which \$4 million was non-spendable. The non-spendable fund balance of \$4 million was advanced to the King County Water and Land Resources Division for the District's operating and capital expenditures. For more information regarding non-spendable cash advance, see Note 7 to the District's financial statements. The remainder, \$39.4 million, is available for spending in future years at the District's discretion. The total fund balances decreased by \$10.8 million, due to current year's excess of expenditures over revenues.

Statement of Revenues, Expenditures, and Changes in Fund Balances

	2014	2013
Total Revenues	\$52,410,117	\$41,362,455
Total Expenditures	63,210,075	41,785,307
Changes in Fund Balances	<u>(10,796,958)</u>	<u>(\$422,852)</u>

The District's Board has authorized \$53.40 million of property taxes to be levied for 2015, an increase of 2.48 percent over 2014.

Request for Information

This financial report is designed to provide a general overview of the King County Flood Control Zone District's finances to all those with an interest in the District's finances. Questions concerning any information provided in this report should be addressed to: King County Flood Control Zone District, 516 3rd Ave, Room 1200, Seattle, Washington 98104.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities
PRIMARY GOVERNMENT					
Flood controls	\$ 51,686,815				\$ 51,686,815
Total primary government					51,686,815
GENERAL REVENUES					
Taxes:					
Property taxes					51,877,172
Leasehold excise taxes					245,293
Other revenues					50,364
Investment earnings					343,694
Unrealized investment (loss)					427
Total general revenues					52,516,950
CHANGE IN NET POSITION					830,135
NET POSITION, BEGINNING OF THE YEAR					137,306,237
NET POSITION, END OF THE YEAR					\$ 138,136,372

See Accountant's Compilation Report and Notes to Financial Statements

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund
REVENUES	
Property taxes, net of refund of \$88,963	\$ 51,770,340
Leasehold excise taxes	245,293
Other revenues	50,363
Interest income	343,694
Unrealized investment (loss)	427
Total revenues	52,410,117
EXPENDITURES	
Current operating:	
Administrative and other operating expenses	407,901
Contracted labor and services	7,025,406
Investment expenses	21,111
Capital projects expenditures	55,755,657
Total expenditures	63,210,075
Excess of revenues over expenditures	(10,799,958)
CHANGE IN FUND BALANCES	(10,799,958)
TOTAL FUND BALANCES, BEGINNING OF THE YEAR	54,204,275
TOTAL FUND BALANCES, END OF THE YEAR	43,404,317
Change in fund balances - governmental fund	(10,799,958)
Amounts reported for governmental activities in the statement of activities (page 8) are different because:	
Governmental fund reported capital projects expenditures as expenditures. However, certain capital projects expenditures were reclassified as capital assets in the statement of net position. This is amount capitalized in the current year, net of accumulated depreciation.	11,526,956
Governmental fund reported capital purchases as current operating expenditures. However, certain operating expenditures were capitalized as capital assets in the statement of net position. This is depreciation expense associated with capital assets not included on Governmental Fund.	(3,695)
Property taxes levied but unavailable in the governmental fund which were reported as property tax revenue in the statement of activities	106,832
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 830,135

See Accountant's Compilation Report and Notes to Financial Statements

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

statement of net position and a statement of activities. The District reports its governmental activities, which normally are supported by property taxes. The District does not have 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 the District's program are offset by the program revenues. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The District's flood control activities are funded by property taxes, which are not considered to be program revenues. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the governmental fund. Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The general fund, the only major fund, is used to account for all financial resources and activities associated with the primary purpose for which the District was created. The District has no non-major funds.

Measurement Focus and Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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. The District considers revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Budgetary Information

The District adopts its budget on an annual basis. The budget is based upon the District's goals and its operating and capital programs. Most revenues and expenditures are budgeted on the accrual basis. Capital projects are

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 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. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Expenditures for maintenance and repairs are charged to expenses as incurred. It is the District's policy not to capitalize interest on construction of governmental capital assets.

Depreciation of capital assets is recorded using the straight-line method over the following estimated useful lives:

Levees and Facilities	30 to 75 years
Machinery and Equipment	5 to 7 years

Deferred Outflows of Resources

Concepts Statement No. 4, Elements of Financial Statements, defines a deferred outflow of resources as a consumption of net assets by the government that is applicable to a future reporting period. As of December 31, 2014, the District had no deferred outflows of resources.

Deferred Inflows of Resources

Concepts Statement No. 4, Elements of Financial Statements, defines a deferred inflow of resources as an acquisition of net assets by the government that is applicable to a future reporting period. As of December 31, 2014, the District had deferred inflows of resources of \$991,334.

Classification of Net Position

In the government-wide financial statements, net positions are classified in the following three components:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2014, the District had \$93,740,721 of investment in capital assets and no related debt.

Restricted – This component of net position consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets. The District had no restricted net position as of December 31, 2014.

Unrestricted – This component of net position consists of net positions that do not meet the definition of "restricted" or "invested in capital assets, net of

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - DEPOSITS AND INVESTMENTS

In accordance with state investment laws, the District has entered into an inter-local agreement with the District's *ex officio* treasurer, King County, to have all of its funds not required for immediate expenditure to be invested in the King County Investment Pool (the Pool).

The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC) pursuant to RCW 36.29.020. All investments are subject to written policies and procedures adopted by the EFC.

The Pool functions as a demand deposit account where the District receives an allocation of its proportionate share of pooled earnings. Unrealized gains and losses due to changes in the fair values are not distributed to the District. However, the unrealized gain or loss is recognized in the statement of revenues, expenditures and changes in fund balances at year-end in accordance with accounting standards. As of December 31, 2014, the District had unimpaired pooled investments of \$59,100,159 at fair value.

Impaired Investments – As of December 31, 2014, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal was \$4,469 and the fair value of these investments was \$2,678.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2014, the Pool's average duration was 1.23 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains or losses are not distributed. The Pool distributes earnings monthly using an amortized cost methodology.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 - CAPITAL ASSETS

Capital assets activities for the year ended December 31, 2014 were as follows:

	Balance 12/31/2013	Increases	Decreases	Balance 12/31/2014
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$46,189,015	\$ 3,988,966	\$ -	\$ 50,177,981
Construction in progress	28,767,758	7,979,587	(4,326,709)	32,420,636
Total capital assets, not being depreciated	74,956,773	11,968,554	(4,326,709)	82,598,617
Capital assets, being depreciated:				
Levees and facilities	8,109,008	4,326,709	-	12,435,717
Machinery and equipment	18,476	-	-	18,476
Total capital assets, being depreciated	8,127,484	4,326,709	-	12,454,193
Less accumulated depreciation for:				
Levees and facilities	(853,863)	(441,598)	-	(1,295,461)
Machinery and equipment	(12,933)	(3,695)	-	(16,628)
Total accumulated depreciation	(866,796)	(445,292)	-	(1,312,089)
Total capital assets, being depreciated, net	7,260,688	3,881,417	-	11,142,104
Total capital assets, net	\$82,217,461	\$ 15,849,970	\$(4,326,709)	\$ 93,740,721

Land is acquired in the name of King County in accordance with the Inter-local Agreement. As of December 31, 2014, the District reported a total amount of \$50,177,981 as land, which represents costs funded by the District. The Inter-local Agreement provides for King County and the District to facilitate necessary transfers of land and other capital assets to the District. As of December 31, 2014, transfers have not taken place. In addition, the District had flood control construction in progress totaling \$32,420,636. No depreciation is calculated for construction in progress. Construction in progress reports all costs associated with projects being developed. As projects are completed, the related costs are reclassified as levees and facilities. During 2014, \$4,326,709 was transferred from construction in progress to levees and facilities. Total depreciation expense of \$445,292 was charged to the flood control function of the District in 2014.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 41,720,640	\$ 41,720,640	\$ 51,770,340	\$ 10,049,700
Other taxes			245,293	245,293
Other revenues			50,363	50,363
Interest Income			343,694	343,694
Total Revenue	41,720,640	41,720,640	52,409,680	10,689,050
EXPENDITURES				
Administration and management	628,256	576,906	407,901	(169,005)
Intergovernmental services	9,433,661	9,737,415	7,025,406	(2,712,009)
Capital program expenditures	66,641,353	125,005,633	55,755,657	(69,249,976)
Total Expenditures	76,703,270	135,319,954	63,188,964	(72,130,990)
Excess of revenues over expenditures			(10,779,274)	
Adjustment from budgetary basis to GAAP basis			(20,684)	
Excess of revenues over expenditures			(10,799,958)	
FUND BALANCES, BEGINNING OF THE YEAR			54,204,275	
FUND BALANCES, END OF THE YEAR			\$ 43,404,317	

Element of adjustment from budgetary basis to GAAP basis:

Recognition of unrealized investment loss	427
Less: Investment expenses	(21,111)
Adjustment from budgetary basis to GAAP basis	<u>(20,684)</u>

See accountant's compilation report.