



# King County

1200 King County  
Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Meeting Agenda

### King County Flood Control District

*Boardmembers: Reagan Dunn, Chair; Dave Upthegrove, Vice Chair; Claudia Balducci, Rod Dembowski,  
Larry Gossett, Jeanne Kohl-Welles, Kathy Lambert, Joe McDermott, Pete von Reichbauer*

2:30 PM

Monday, May 23, 2016

Room 1001

#### SPECIAL MEETING

1. Call to Order

To show a PDF of the written materials for an agenda item, click on the agenda item below.

2. Roll Call

3. Approval of Minutes of special meeting of April 4, 2016 **page 3**

#### Discussion and Possible Action

4. [FCD Resolution No. FCD2016-06](#) **page 5**

A RESOLUTION approving an interlocal agreement with the City of Kent regarding design alternatives and property acquisition relating to the Milwaukee II Levee.

5. [FCD Resolution No. FCD2016-09](#) **page 27**

A RESOLUTION authorizing the chair to enter into a third amendment to the contract for executive director services.

6. [FCD Motion No. FCD16-02](#) **page 33**

A MOTION relating to the King County Flood Control Zone District's 2015 financial statements and adopting the "King County Flood Control Zone District Financial Statements for the Year Ended December 31, 2015.

7. Adjournment



*Sign language and communication material in alternate formats can be arranged given sufficient notice (206-1000).*

*FDD Number 296-1024.*

*ASSISTIVE LISTENING DEVICES AVAILABLE IN THE COUNCIL CHAMBERS.*



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# King County

1200 King County  
Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Meeting Minutes - Final King County Flood Control District

*Boardmembers: Reagan Dunn, Chair; Dave Upthegrove, Vice  
Chair; Claudia Balducci, Rod Dembowski,  
Larry Gossett, Jeanne Kohl-Welles, Kathy Lambert, Joe  
McDermott, Pete von Reichbauer*

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1:30 PM

Monday, April 4, 2016

Room 1001

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--DRAFT MIINUTES--

1. **Call to Order**

*The meeting was called to order at 3:22 p.m.*

2. **Roll Call**

**Present:** 9 - Ms. Balducci, Mr. Dembowski, Mr. Dunn, Mr. Gossett, Ms. Kohl-Welles,  
Ms. Lambert, Mr. McDermott, Mr. Upthegrove and Mr. von Reichbauer

3. **Approval of Minutes of special meetings of February 16 and  
February 22, 2016**

*Mr. Upthegrove moved approval of the special meeting minutes of February 16 and  
February 22, 2016. The motion carried.*

### Discussion and Possible Action

4. **[FCD Resolution No. FCD2016-06](#)**

A RESOLUTION approving an interlocal agreement with the City of Kent regarding design alternatives and property acquisition relating to the Milwaukee II Levee.

*The Chair indicated that FCD 2016-06 was deferred until the next meeting of the King  
County Flood Control District.*

5. **[FCD Resolution No. FCD2016-07](#)**

A RESOLUTION directing King County, acting on behalf of the District, to transfer to the city of Snoqualmie six parcels within the Snoqualmie River floodplain, subject to deed restrictions.

*Kjris Lund, Executive Director, summarized her staff report.*

**A motion was made by Boardmember Upthegrove that this FCD Resolution be passed. The motion carried by the following vote:**

**Yes:** 9 - Ms. Balducci, Mr. Dembowski, Mr. Dunn, Mr. Gossett, Ms. Kohl-Welles,  
Ms. Lambert, Mr. McDermott, Mr. Upthegrove and Mr. von Reichbauer

6. FCD Resolution No. FCD2016-08

A RESOLUTION directing King County to convey certain real property acquired by King County on behalf of the King County Flood Control Zone District.

*Kjris Lund, Executive Director, summarized her staff report as well as Amendment 1 which was before the Board.*

*Boardmember Upthegrove moved Amendment 1. The motion carried by the following vote:*

*Votes: Yes: 9 - Ms. Balducci, Mr. Dembowski, Mr. Dunn, Mr. Gossett, Ms. Kohl-Welles, Ms. Lambert, Mr. McDermott, Mr. Upthegrove and Mr. von Reichbauer  
No: 0  
Excused: 0*

**A motion was made by Boardmember Upthegrove that this FCD Resolution be passed as amended. The motion carried by the following vote:**

**Yes:** 9 - Ms. Balducci, Mr. Dembowski, Mr. Dunn, Mr. Gossett, Ms. Kohl-Welles, Ms. Lambert, Mr. McDermott, Mr. Upthegrove and Mr. von Reichbauer

7. Adjournment

*The meeting was adjourned at 3:29 p.m.*

Approved this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Clerk's Signature



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**May 17, 2016**

**FCD Resolution**

**Proposed No.** FCD2016-06.1

**Sponsors**

1           A RESOLUTION approving an interlocal agreement with the City  
2           of Kent regarding design alternatives and property acquisition  
3           relating to the Milwaukee II Levee.

4           WHEREAS, King County, through the water and land resources division of  
5           the department of natural resources and parks, as service provider to the King  
6           County Flood Control Zone District ("District") pursuant to an interlocal agreement  
7           operates and maintains a major portion of the Green River levee system; and

8           WHEREAS, the Milwaukee II Levee ("Levee") is a key part of the Green  
9           River levee system; and

10          WHEREAS, the District desires to improve the Levee ("the Project") to  
11          provide improved flood protection and scour protection, to enable certification and  
12          secure necessary land rights; and

13          WHEREAS, the District has included the Project in its CIP and budget, in a  
14          total amount of \$8,500,000; and

15          WHEREAS, the city of Kent has agreed to construct the Project, in order to  
16          provide for the safety of residents and businesses that are protected by the Levee;  
17          and

18          WHEREAS, the District, King County and city of Kent ("the Parties") desire  
19          to construct the Project as soon as possible, with a goal of construction in 2017; and

20 WHEREAS, the Parties desire to prepare an analysis and study of design and  
21 construction alternatives for the Project, and select a preferred alternative for  
22 recommendation to the District; and

23 WHEREAS, the Parties further intend that after the District selects a design  
24 for the Project, the Parties will negotiate and enter into an agreement regarding final  
25 design and construction of the Project, now, therefore,

26 BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE KING  
27 COUNTY FLOOD CONTROL ZONE DISTRICT:

28 Section 1. The board of supervisors approves the "Agreement Regarding  
29 Alternatives and Property Acquisition, Milwaukee II Levee Improvement Project, River  
30 Mile 24.04 to 24.25, Right Bank", Attachment A to this resolution, and authorizes the  
31 chair to sign the agreement.

32

KING COUNTY FLOOD CONTROL ZONE  
DISTRICT  
KING COUNTY, WASHINGTON

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Reagan Dunn, Chair

ATTEST:

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Anne Noris, Clerk of the Board

**Attachments:** A. Agreement Regarding Alternatives and Property Acquisition, Milwaukee II Levee Improvement Project, River Mile 24.04 to 24.25, Right Bank.

**AGREEMENT REGARDING ALTERNATIVES AND PROPERTY ACQUISITION**

**Milwaukee II Levee Improvement Project**

**River Mile 24.04 to 24.25, Right Bank**

THIS AGREEMENT REGARDING ALTERNATIVES AND PROPERTY ACQUISITION (“Agreement”) relating to the Milwaukee II Levee, River Mile 24.04 to 24.25, Right Bank, is entered into on the last date signed below by and between the CITY OF KENT, a Washington municipal corporation (“City”), and KING COUNTY FLOOD CONTROL ZONE DISTRICT, a quasi-municipal corporation of the State of Washington (“District”) (collectively, the "Parties").

**RECITALS**

A. King County, Washington, through the Water and Land Resources Division of the King County Department of Natural Resources and Parks, as service provider to the District pursuant to an interlocal agreement with the District, operates and maintains a major portion of the Green River levee system.

B. The Milwaukee II Levee (“Levee”) is a key part of the Green River levee system. The District desires to improve the Levee to provide improved flood protection and scour protection, to enable certification and secure necessary land rights (the Levee improvement will hereafter be referred to as the “Project”). The area of the Project is the right bank of the Green River from River Mile 24.04 to 24.25.

C. The District has included the Project in its CIP and budget, in a total amount of \$8,500,000. The Parties believe that the estimated cost and expense of planning, design, property acquisition and construction of the Project will not exceed this total amount. The City has agreed to construct the Project, in order to provide for the safety of residents and businesses that are protected by the Levee. The Parties desire to construct the Project as soon as possible, with a goal of construction in 2017.

D. The preliminary plan for the Project is to increase the height of the Levee to achieve the Lower Green River System-Wide Improvement Framework’s provisional flood protection goal of 500-year or 18,800 cfs, plus three feet of freeboard. Before determining the final plan for the Project, the Parties desire to prepare an analysis and study of design and construction alternatives for the Project, and select a preferred alternative for recommendation to the District. The Parties further intend that after the District selects a design for the Project, the Parties will negotiate and enter into an Agreement regarding design and construction of the Project.

E. By Resolution No. FCD2015-07.2, adopted on July 13, 2015, the District determined that the flood control improvements included in the Resolution generally contribute to the objectives of the District’s comprehensive plan of development. In that Resolution, the District also approved funding for the Project.

### **AGREEMENT**

The Parties agree as follows:

1. Incorporation of Recitals—Scope of Agreement. All recitals above are hereby incorporated in and ratified as part of this Agreement. This Agreement establishes the terms and conditions for preparation of an analysis and study of design and construction alternatives for the Project, selection of a preferred alternative, selection of a final design, and acquisition of necessary property interests for the Project .

2. Preparation of Study of Alternatives--Selection of Preferred Alternative.

a. After consultation with the District, the City shall select a consultant to prepare an analysis and study of alternatives for the Project (“Study”), as described below. Prior to entering into an agreement with the consultant, the City shall provide the proposed agreement to the District, including the scope of work. The City shall pay the consultant, and the District shall reimburse the City for such payments pursuant to section 4 below.

b. Prior to commencement of the Study, the City shall provide to the District a schedule for preparation and completion of the Study. The Study shall include, but not be limited to, the following:

i. A charter (project goals, objectives and process) for the Project substantially similar to the charter provided for in the King County Water and Land Resources Division Project Management Manual.

ii. An analysis of at least two and perhaps three design and construction alternatives for the Project, which consider flood protection, toe/scour protection and certification, and which include, but not be limited to, alignment and location of any floodwall and a comparison of the cost, benefits and impacts of an earthen levee versus a floodwall.

iii. Criteria for analyzing, comparing and ranking each Alternative.

iv. A conceptual level cost estimate to relocate South 259<sup>th</sup> Street landward from the riverbank, and to install salmon habitat structures and features in the Project.

c. The Study shall assume that the maximum Project cost is \$8,500,000.

d. Upon completion of a draft Study, the City shall provide a copy of the draft Study to the District for review and comment. After District approval of the draft Study, either as prepared by the City or as amended after review and comment by the District, the City shall prepare the final Study. Based on the final Study, the Parties shall rank the Alternatives using the criteria, and recommend a preferred Alternative to the District. The District shall select the Alternative that will be used in the design of the Project. The City shall not commence design of the Project until the District has selected a design and has authorized the City to proceed.

3. Acquisition and Transfer of Property Interests.

a. During this Agreement, the City is authorized to acquire property interests that are necessary for the Project under the preliminary plan for the Project, in accordance with the terms and conditions of this section. These property interests are set forth on **Exhibit A**, attached hereto and incorporated herein.

b. The property interests acquired by the City shall provide for ownership, construction, installation, operation, maintenance, repair, replacement and removal of the Project. If the property interest is an easement, the City shall use either the form of the standard River Protection Easement in Reference 8P to the King County Surface Water Design Manual, or a different form of River Protection Easement approved by the District. If the property interest is other than an easement, the City shall use a form of property interest document approved by the District.

c. Prior to execution or acceptance of any property interest document, the City shall consult with the District Executive Director or designee.

d. In acquiring the real property interests, the City shall comply with all applicable state and federal laws and regulations, including but not limited to the following:

- i. Washington State Department of Transportation *Right of Way Manual* (M26.01.06).
- ii. Title 23, Code of Federal Regulations.
- iii. Chapters 8.04 and 8.25 RCW.
- iv. Chapter 8.26 RCW and Chapter 365-24 WAC.
- v. Chapter 8.140 RCW and Chapter 308-125 WAC.

e. The District shall reimburse the City for its costs and expenses of acquiring the property interests pursuant to section 4 below.

f. The City shall take title to the right-of-way of South 259 Street between the Union Pacific railroad and the east right-of-way edge of South 3<sup>rd</sup> Avenue.

4. Reimbursement of City Expenditures.

a. The maximum reimbursement for costs and expenses incurred by the City for the Study and property interest acquisitions pursuant to this Agreement shall be \$3,650,000.

b. No more than once a month, the City shall submit requests for reimbursement of City costs and expenses incurred on or after the effective date of this Agreement pursuant to sections 2 and 3 above; provided, that for costs and expenses incurred pursuant to section 3 above (property interests), the City shall not submit, and the District shall not consider, any requests for reimbursement until the City has executed or accepted a property interest document in accordance with section 3 above. The requests shall be in a form and shall contain information and data as required by the District. In connection with submittal of requests for reimbursement, the District may require the City to provide a status or progress report concerning the Study or the acquisition of property interests.

c. The District shall review the requests to confirm that they are reimbursable and payable under this Agreement. The District shall endeavor to complete such review within thirty (30) days of receipt of a request in order to determine whether they are reimbursable and payable under this Agreement. The District shall forward the approved reimbursement to the City within forty-five (45) days of the City's request.

d. The District may postpone review of a City request for reimbursement where all or any part of the request is inaccurate or incomplete. The District shall notify the City of any inaccuracies or incompleteness within thirty (30) days of receipt of the request. The City shall provide all additional information or data within thirty (30) days of the District's request for such additional information or data. If the request is still inaccurate or incomplete in the opinion of the District, the dispute shall be resolved in accordance with section 6 below. After resolution of the dispute, the District shall provide reimbursement as provided in this section 4.

e. The District may postpone payment of any request for reimbursement, up to a maximum of five percent (5%) of the request, where the City is delinquent in submittal, preparation or completion of any document or work required by this Agreement.

5. Duration—Effective Date. This Agreement shall take effect on the date on which the second party signs this Agreement, and shall remain in effect until the District selects a preferred Alternative or the Parties execute a design and construction Agreement, whichever occurs first.

6. Dispute Resolution. The Parties will seek to resolve any disputes under this Agreement as follows:

a. For disputes involving cost and expense reimbursements or payments, as provided for in section 4 above, submittal of all relevant information and data to an independent Certified Public Accountant or a Construction Claims Consultant, if agreed upon by the Parties, for a non-binding opinion as to the responsibility.

b. If the foregoing does not result in resolution and for all other disputes, the Parties may mutually select any informal means of resolution and resort will otherwise be had to the Superior Court for King County, Washington.

c. Each Party will be responsible for its own costs and attorney's fees in connection with the dispute resolution provisions of this section 6.

7. Third Parties. This Agreement and any activities authorized hereunder shall not be construed as granting any rights or privileges to any third person or entity, or as a guarantee or warranty of protection from flooding or flood damage to any person, entity or property, and nothing contained herein shall be construed as waiving any immunity to liability to the City, the District or King County, granted under state statute, including Chapters 86.12 and 86.15 RCW, or as otherwise granted or provided for by law.

8. Liens and Encumbrances. The City acknowledges and agrees that it will not cause or allow any lien or encumbrance arising from or related to this Agreement to be placed upon the real property interests of King County or the District. If such lien or encumbrance is so placed, King County or the District shall have the right to remove such lien and charge back the costs of such removal to the City.

9. Indemnification. To the maximum extent permitted by law, the City shall defend, indemnify and hold harmless the District and King County, and all of their officials, employees, principals and agents, from any and all claims, demands, suits, actions, losses, costs, reasonable attorney fees and expenses, fines, penalties and liability of any kind, including injuries to persons or damages to property, arising out of, or as a consequence of, the Project, the Study or this Agreement. As to all other obligations under this Agreement, to the maximum extent permitted by law, each Party shall defend, indemnify and hold harmless the other Party, and all of its officials, employees, principals and agents, from any and all claims, demands, suits, actions, fines, penalties and liability of any kind, including injuries to persons or damages to property, arising out of or relating to any negligent acts, errors or omissions of the indemnifying Party and its contractors, agents, employees and representatives in performing these obligations under this Agreement. However, if any such damages and injuries to persons or property are caused by or result from the concurrent negligence of the District or its contractors, employees, agents, or representatives, and the City or its contractor or employees, agents, or representatives, each Party's obligation hereunder applies only to the extent of the negligence of such Party or its

contractor or employees, agents, or representatives. This indemnification provision shall not be construed as waiving any immunity granted to the City, the District, or King County, under state statute, including chapters 86.12 and 86.15 RCW, as to any other entity.

The foregoing indemnity is specifically and expressly intended to constitute a waiver of each Party's immunity under industrial insurance, Title 51 RCW, as respects the other Party only, and only to the extent necessary to provide the indemnified Party with a full and complete indemnity of claims made by the indemnitor's employees. This waiver has been mutually negotiated.

10. Insurance. Each Party recognizes that the other is self-insured and accepts such coverage for liability arising under this Agreement. Should any Party choose not to self-insure, that Party shall maintain and keep in full force and effect a policy of general liability insurance in an amount not less than One Million Dollars (\$1,000,000) per occurrence with an additional excess liability policy of not less than Ten Million Dollars (\$10,000,000) and will provide the other Party with a certificate of insurance and additional insured endorsement that will name the other Party as an additional insured.

11. Entire Agreement; Amendment. This Agreement, together with **Exhibit A**, represents a full recitation of the rights and responsibilities of the Parties and may be modified only in writing and upon the consent of both Parties. Should any conflict exist between the terms of this Agreement and the terms of **Exhibit A**, this Agreement shall control.

12. Binding Nature. The rights and duties contained in this Agreement shall inure to the benefit of and are binding upon the Parties and their respective successors in interest and assigns.

13. Notices, Communications and Documents. Unless applicable law requires a different method of giving notice, any and all notices, demands or other communications required or desired to be given hereunder by either Party (collectively, "notices") shall be in writing and shall be validly given or made to the other Party if delivered either personally or by Federal Express or other overnight delivery service of recognized standing, or if deposited in the United States Mail, certified, registered, or express mail with postage prepaid, or if sent by electronic mail. If such notice is personally delivered, it shall be conclusively deemed given at the time of such delivery. If such notice is delivered by Federal Express or other overnight delivery service of recognized standing, it shall be deemed given one business day after the deposit thereof with such delivery service. If such notice is mailed as provided herein, such shall be deemed given three business days after the deposit thereof in the United States Mail. If such notice is sent by electronic mail, it shall be deemed given at the time of the sender's transmission of the electronic mail communication, unless the sender receives a response that the electronic mail message was undeliverable. Each such notice shall be deemed given only if properly addressed to the Party to whom such notice is to be given as follows:

To City: Tim LaPorte, Public Works Director  
220 Fourth Avenue South  
Kent, WA 98032  
Phone: (253)856-5500  
Email: tlaporte@KentWA.gov

To District: Kjristine Lund, Executive Director  
516 Third Avenue, Room 1200, W-1201  
Seattle, WA 98104  
Phone: (206) 477-2985  
Email: Kjris.Lund@kingcounty.gov

Any Party may change its address for the purpose of receiving notices as herein provided by a written notice given in the manner aforesaid to the other Party.

14. Authority. The undersigned warrant that they have the authority duly granted by their respective legislative bodies to make and execute this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement, which shall become effective on the last date signed below.

**CITY OF KENT**

**KING COUNTY FLOOD CONTROL  
ZONE DISTRICT**

By: \_\_\_\_\_  
Suzette Cooke  
Its: Mayor

By: \_\_\_\_\_  
Reagan Dunn  
Its: Board Chair

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Assistant City Attorney

By: \_\_\_\_\_  
Legal Counsel

**EXHIBIT A****Property Interests to be Acquired by City of Kent****V&S Properties and Investment****Tax Parcel Number: 000660-0017**Parcel A:

Beginning at a point on the east line of the Cavanaugh Tract and the south line of county road which is 810.48 feet, more or less, east and 2,914.56 feet, more or less, south of the northwest corner of Samuel W. Russell Donation Claim Number 41, Section 24, Township 22 North, Range 4 East, W.M., in King County, Washington;

Thence south to the White River;

Thence westerly along the north bank of the White River to the easterly line of Chicago Milwaukee St. Paul and Pacific Railroad;

Thence northerly along said easterly line to the southerly line of said county road;

Thence easterly along said road line to point of beginning.

Parcel B:

Beginning 810.48 feet east and 2,914.56 feet south of the northwest corner of Samuel W. Russell Donation Claim Number 41, Section 24, Township 22 North, Range 4 East, W.M., in King County, Washington;

Thence south 82.5 feet, more or less, to White River;

Thence northeasterly along river, 198 feet to the south line of county road;

Thence westerly to the Point of Beginning.

**Amrik Commercial Rentals LLC****Tax Parcel Number: 000660-0082**

That portion of the S.W. Russell Donation Land Claim No. 41, in King County, Washington, described as follows:

Commencing at the southeast corner of Waterman's Acre Tracts to the Town of Kent, according to the Plat recorded in Volume 12 of plats, page 11, in King County, Washington;

Thence south 88°02'30" west along the south line of said Plat 713.08 feet to the southerly production of the west line of South Third Avenue, as conveyed to the City of Kent by Deed Dated July 11, 1955, and recorded under Recording Number 4599830;

Thence south 1°55'37" East along said west line, and said west line produced, 1179.70 feet to an angle point in the southerly line of that Tract of land conveyed to C.L. Knudsen, W.H.

Meadowcroft and Fred E. Meadowcroft by Deed dated January 27, 1956, and recorded under Recording Number 4659959 and the True Point of Beginning;

Thence south  $88^{\circ}02'30''$  west to the east line of the Tract of land conveyed to James A.

Cavanaugh by Deed dated December 8, 1885, and recorded under Recording Number 8870;

Thence south  $1^{\circ}58'00''$  east along said east line 283.80 feet, more or less, to the north line of a County Road, being also the south boundary of a tract of land conveyed to Ralph E. Leber and La Vern June Leber his wife, by Deed dated February 4, 1955, and recorded under Recording Number 4543722;

Thence in an easterly direction along the north line of said County Road south  $89^{\circ}17'00''$  east 242.10 feet, north  $78^{\circ}06'00''$  east 239.10 feet north and  $87^{\circ}14'00''$  east 330.61 feet, more or less, to said southerly production of the west line of said south Third Avenue;

Thence north  $1^{\circ}55'37''$  west along said produced west line 249.16 feet, more or less, to the True Point of Beginning.

4/25/16

an

Sponsor: Dunn

Proposed No.: FCD2016-06

1 **AMENDMENT TO FCD RESOLUTION FCD2016-06, VERSION 1**

2 Delete Attachment A. Agreement Regarding Alternatives and Property Acquisition,  
3 Milwaukee II Levee Improvement Project, River Mile 24.04 to 24.25, Right Bank, and  
4 insert Attachment A. Agreement Regarding Alternatives and Property Acquisition,  
5 Milwaukee II Levee Improvement Project, River Mile 24.04 to 24.25, Right Bank dated  
6 4-25-16.

7 **EFFECT: *Replaces the agreement with a new version to respond to comments by the***  
8 ***City of Kent.***

**AGREEMENT REGARDING ALTERNATIVES AND PROPERTY ACQUISITION**

**Milwaukee II Levee Improvement Project**

**River Mile 24.04 to 24.25, Right Bank**

THIS AGREEMENT REGARDING ALTERNATIVES AND PROPERTY ACQUISITION (“Agreement”) relating to the Milwaukee II Levee, River Mile 24.04 to 24.25, Right Bank, is entered into on the last date signed below by and between the CITY OF KENT, a Washington municipal corporation (“City”), and KING COUNTY FLOOD CONTROL ZONE DISTRICT, a quasi-municipal corporation of the State of Washington (“District”) (collectively, the “Parties”).

**RECITALS**

A. King County, Washington, through the Water and Land Resources Division of the King County Department of Natural Resources and Parks, as service provider to the District pursuant to an interlocal agreement with the District, operates and maintains a major portion of the Green River levee system.

B. The Milwaukee II Levee (“Levee”) is a key part of the Green River levee system. The District desires to improve the Levee to provide improved flood protection and scour protection, to enable certification and secure necessary land rights (the Levee improvement will hereafter be referred to as the “Project”). The area of the Project is the right bank of the Green River from River Mile 24.04 to 24.25.

C. The District has included the Project in its CIP and budget, in a total amount of \$8,500,000. The Parties believe that the estimated cost and expense of planning, design, property acquisition and construction of the Project will not exceed this total amount. The City has agreed to construct the Project, in order to provide for the safety of residents and businesses that are protected by the Levee. The Parties desire to construct the Project as soon as possible, with a goal of construction in 2017.

D. The preliminary plan for the Project is to increase the height of the Levee to achieve the Lower Green River System-Wide Improvement Framework’s provisional flood protection goal of 500-year or 18,800 cfs, plus three feet of freeboard. Before determining the final plan for the Project, the Parties desire to prepare an analysis and study of design and construction alternatives for the Project, and select a preferred alternative for recommendation to the District. The Parties further intend that after the District selects a design for the Project, the Parties will negotiate and enter into an Agreement regarding design and construction of the Project.

E. By Resolution No. FCD2015-07.2, adopted on July 13, 2015, the District determined that the flood control improvements included in the Resolution generally contribute to the objectives of the District's comprehensive plan of development. In that Resolution, the District also approved funding for the Project.

### AGREEMENT

The Parties agree as follows:

1. Incorporation of Recitals—Scope of Agreement. All recitals above are hereby incorporated in and ratified as part of this Agreement. This Agreement establishes the terms and conditions for preparation of an analysis and study of design and construction alternatives for the Project, selection of a preferred alternative, selection of a final design, and acquisition of necessary property interests for the Project .
2. Preparation of Study of Alternatives--Selection of Preferred Alternative.
  - a. After consultation with the District, the City shall select a consultant to prepare an analysis and study of alternatives for the Project ("Study"), as described below. Prior to entering into an agreement with the consultant, the City shall provide the proposed agreement to the District, including the scope of work. The City shall pay the consultant, and the District shall reimburse the City for such payments pursuant to section 4 below.
  - b. Prior to commencement of the Study, the City shall provide to the District a schedule for preparation and completion of the Study. The Study shall include, but not be limited to, the following:
    - i. A charter (project goals, objectives and process) for the Project substantially similar to the charter provided for in the King County Water and Land Resources Division Project Management Manual.
    - ii. An analysis of at least two and perhaps three design and construction alternatives for the Project, which consider flood protection, toe/scour protection and certification, and which include, but not be limited to, alignment and location of any floodwall and a comparison of the cost, benefits and impacts of an earthen levee versus a floodwall.
    - iii. Criteria for analyzing, comparing and ranking each Alternative.
    - iv. A conceptual level cost estimate to relocate South 259<sup>th</sup> Street landward from the riverbank, and to install salmon habitat structures and features in the Project.
  - c. The Study shall assume that the maximum Project cost is \$8,500,000.

d. Upon completion of a draft Study, the City shall provide a copy of the draft Study to the District for review and comment. After District approval of the draft Study, either as prepared by the City or as amended after review and comment by the District, the City shall prepare the final Study. Based on the final Study, the Parties shall rank the Alternatives using the criteria, and recommend a preferred Alternative to the District. The District shall select the Alternative that will be used in the design of the Project. The City shall not commence design of the Project until the District has selected a design and has authorized the City to proceed.

3. Acquisition and Transfer of Property Interests.

a. During this Agreement, the City is authorized to acquire property interests that are necessary for the Project under the preliminary plan for the Project, in accordance with the terms and conditions of this section. These property interests are set forth on **Exhibit A**, attached hereto and incorporated herein.

b. The property interests acquired by the City shall provide for ownership, construction, installation, operation, maintenance, repair, replacement and removal of the Project. If the property interest is an easement, the City shall use either the form of the standard River Protection Easement in Reference 8P to the King County Surface Water Design Manual, or a different form of River Protection Easement approved by the District. If the property interest is other than an easement, the City shall use a form of property interest document approved by the District.

c. Prior to execution or acceptance of any property interest document, the City shall consult with the District Executive Director or designee.

d. In acquiring the real property interests, the City shall comply with all applicable state and federal laws and regulations, including but not limited to the following:

- i. Washington State Department of Transportation **Right of Way Manual (M26.01.06).**
- ii. Title 23, Code of Federal Regulations.
- iii. Chapters 8.04 and 8.25 RCW.
- iv. Chapter 8.26 RCW and Chapter 365-24 WAC.
- v. Chapter 8.140 RCW and Chapter 308-125 WAC.

e. The District shall reimburse the City for its costs and expenses of acquiring the property interests pursuant to section 4 below.

f. The City shall take title to the right-of-way of South 259 Street between the Union Pacific railroad and the east right-of-way edge of South 3<sup>rd</sup> Avenue.

4. Reimbursement of City Expenditures.

a. The maximum reimbursement for costs and expenses incurred by the City for the Study and property interest acquisitions pursuant to this Agreement shall be \$3,650,000.

b. No more than once a month, the City shall submit requests for reimbursement of City costs and expenses incurred on or after the effective date of this Agreement pursuant to sections 2 and 3 above; provided, that for costs and expenses incurred pursuant to section 3 above (property interests), the City shall not submit, and the District shall not consider, any requests for reimbursement until the City has executed or accepted a property interest document in accordance with section 3 above. The requests shall be in a form and shall contain information and data as required by the District. In connection with submittal of requests for reimbursement, the District may require the City to provide a status or progress report concerning the Study or the acquisition of property interests.

c. The District shall review the requests to confirm that they are reimbursable and payable under this Agreement. The District shall endeavor to complete such review within thirty (30) days of receipt of a request in order to determine whether they are reimbursable and payable under this Agreement. The District shall forward the approved reimbursement to the City within forty-five (45) days of the City's request.

d. The District may postpone review of a City request for reimbursement where all or any part of the request is inaccurate or incomplete. The District shall notify the City of any inaccuracies or incompleteness within thirty (30) days of receipt of the request. The City shall provide all additional information or data within thirty (30) days of the District's request for such additional information or data. If the request is still inaccurate or incomplete in the opinion of the District, the dispute shall be resolved in accordance with section 6 below. After resolution of the dispute, the District shall provide reimbursement as provided in this section 4.

e. The District may postpone payment of any request for reimbursement, up to a maximum of five percent (5%) of the request, where the City is delinquent in submittal, preparation or completion of any document or work required by this Agreement.

5. Duration—Effective Date. This Agreement shall take effect on the date on which the second party signs this Agreement, and shall remain in effect until the District selects a preferred Alternative or the Parties execute a design and construction Agreement, whichever occurs first.

6. Dispute Resolution. The Parties will seek to resolve any disputes under this Agreement as follows:

a. For disputes involving cost and expense reimbursements or payments, as provided for in section 4 above, submittal of all relevant information and data to an independent Certified Public Accountant or a Construction Claims Consultant, if agreed upon by the Parties, for a non-binding opinion as to the responsibility.

b. If the foregoing does not result in resolution and for all other disputes, the Parties may mutually select any informal means of resolution and resort will otherwise be had to the Superior Court for King County, Washington.

c. Each Party will be responsible for its own costs and attorney's fees in connection with the dispute resolution provisions of this section 6.

7. Third Parties. This Agreement and any activities authorized hereunder shall not be construed as granting any rights or privileges to any third person or entity, or as a guarantee or warranty of protection from flooding or flood damage to any person, entity or property, and nothing contained herein shall be construed as waiving any immunity to liability to the City, the District or King County, granted under state statute, including Chapters 86.12 and 86.15 RCW, or as otherwise granted or provided for by law.

8. Liens and Encumbrances. The City acknowledges and agrees that it will not cause or allow any lien or encumbrance arising from or related to this Agreement to be placed upon the real property interests of King County or the District. If such lien or encumbrance is so placed, King County or the District shall have the right to remove such lien and charge back the costs of such removal to the City.

9. Indemnification. To the maximum extent permitted by law, the City shall defend, indemnify and hold harmless the District and King County, and all of their officials, employees, principals and agents, from any and all claims, demands, suits, actions, losses, costs, reasonable attorney fees and expenses, fines, penalties and liability of any kind, including injuries to persons or damages to property, arising out of, or as a consequence of, the Project, the Study or this Agreement. As to all other obligations under this Agreement, to the maximum extent permitted by law, each Party shall defend, indemnify and hold harmless the other Party, and all of its officials, employees, principals and agents, from any and all claims, demands, suits, actions, fines, penalties and liability of any kind, including injuries to persons or damages to property, arising out of or relating to any negligent acts, errors or omissions of the indemnifying Party and its contractors, agents, employees and representatives in performing these obligations under this Agreement. However, if any such damages and injuries to persons or property are caused by or result from the concurrent negligence of the District or its contractors, employees, agents, or representatives, and the City or its contractor or employees, agents, or representatives, each Party's obligation hereunder applies only to the extent of the negligence of such Party or its

contractor or employees, agents, or representatives. This indemnification provision shall not be construed as waiving any immunity granted to the City, the District, or King County, under state statute, including chapters 86.12 and 86.15 RCW, as to any other entity.

The foregoing indemnity is specifically and expressly intended to constitute a waiver of each Party's immunity under industrial insurance, Title 51 RCW, as respects the other Party only, and only to the extent necessary to provide the indemnified Party with a full and complete indemnity of claims made by the indemnitor's employees. This waiver has been mutually negotiated.

10. Insurance. Each Party recognizes that the other is self-insured and accepts such coverage for liability arising under this Agreement. Should any Party choose not to self-insure, that Party shall maintain and keep in full force and effect a policy of general liability insurance in an amount not less than One Million Dollars (\$1,000,000) per occurrence with an additional excess liability policy of not less than Ten Million Dollars (\$10,000,000) and will provide the other Party with a certificate of insurance and additional insured endorsement that will name the other Party as an additional insured.

11. Entire Agreement; Amendment. This Agreement, together with **Exhibit A**, represents a full recitation of the rights and responsibilities of the Parties and may be modified only in writing and upon the consent of both Parties. Should any conflict exist between the terms of this Agreement and the terms of **Exhibit A**, this Agreement shall control.

12. Binding Nature. The rights and duties contained in this Agreement shall inure to the benefit of and are binding upon the Parties and their respective successors in interest and assigns.

13. Notices, Communications and Documents. Unless applicable law requires a different method of giving notice, any and all notices, demands or other communications required or desired to be given hereunder by either Party (collectively, "notices") shall be in writing and shall be validly given or made to the other Party if delivered either personally or by Federal Express or other overnight delivery service of recognized standing, or if deposited in the United States Mail, certified, registered, or express mail with postage prepaid, or if sent by electronic mail. If such notice is personally delivered, it shall be conclusively deemed given at the time of such delivery. If such notice is delivered by Federal Express or other overnight delivery service of recognized standing, it shall be deemed given one business day after the deposit thereof with such delivery service. If such notice is mailed as provided herein, such shall be deemed given three business days after the deposit thereof in the United States Mail. If such notice is sent by electronic mail, it shall be deemed given at the time of the sender's transmission of the electronic mail communication, unless the sender receives a response that the electronic mail message was undeliverable. Each such notice shall be deemed given only if properly addressed to the Party to whom such notice is to be given as follows:

To City: Tim LaPorte, Public Works Director  
220 Fourth Avenue South  
Kent, WA 98032  
Phone: (253)856-5500  
Email: tlaporte@KentWA.gov

To District: Kjristine Lund, Executive Director  
516 Third Avenue, Room 1200, W-1201  
Seattle, WA 98104  
Phone: (206) 477-2985  
Email: Kjris.Lund@kingcounty.gov

Any Party may change its address for the purpose of receiving notices as herein provided by a written notice given in the manner aforesaid to the other Party.

14. Authority. The undersigned warrant that they have the authority duly granted by their respective legislative bodies to make and execute this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement, which shall become effective on the last date signed below.

**CITY OF KENT**

**KING COUNTY FLOOD CONTROL  
ZONE DISTRICT**

By: \_\_\_\_\_  
Suzette Cooke  
Its: Mayor

By: \_\_\_\_\_  
Reagan Dunn  
Its: Board Chair

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Assistant City Attorney

By: \_\_\_\_\_  
Legal Counsel

**EXHIBIT A**

**Property Interests that May be Acquired by City of Kent**

**V&S Properties and Investment**

**Tax Parcel Number: 000660-0017**

Parcel A:

Beginning at a point on the east line of the Cavanaugh Tract and the south line of county road which is 810.48 feet, more or less, east and 2,914.56 feet, more or less, south of the northwest corner of Samuel W. Russell Donation Claim Number 41, Section 24, Township 22 North, Range 4 East, W.M., in King County, Washington;  
Thence south to the White River;  
Thence westerly along the north bank of the White River to the easterly line of Chicago Milwaukee St. Paul and Pacific Railroad;  
Thence northerly along said easterly line to the southerly line of said county road;  
Thence easterly along said road line to point of beginning.

Parcel B:

Beginning 810.48 feet east and 2,914.56 feet south of the northwest corner of Samuel W. Russell Donation Claim Number 41, Section 24, Township 22 North, Range 4 East, W.M., in King County, Washington;  
Thence south 82.5 feet, more or less, to White River;  
Thence northeasterly along river, 198 feet to the south line of county road;  
Thence westerly to the Point of Beginning.

**Amrik Commercial Rentals LLC**

**Tax Parcel Number: 000660-0082**

That portion of the S.W. Russell Donation Land Claim No. 41, in King County, Washington, described as follows:

Commencing at the southeast corner of Waterman's Acre Tracts to the Town of Kent, according to the Plat recorded in Volume 12 of plats, page 11, in King County, Washington;  
Thence south  $88^{\circ}02'30''$  west along the south line of said Plat 713.08 feet to the southerly production of the west line of South Third Avenue, as conveyed to the City of Kent by Deed Dated July 11, 1955, and recorded under Recording Number 4599830;  
Thence south  $1^{\circ}55'37''$  East along said west line, and said west line produced, 1179.70 feet to an angle point in the southerly line of that Tract of land conveyed to C.L. Knudsen, W.H.

Meadowcroft and Fred E. Meadowcroft by Deed dated January 27, 1956, and recorded under Recording Number 4659959 and the True Point of Beginning;

Thence south  $88^{\circ}02'30''$  west to the east line of the Tract of land conveyed to James A.

Cavanaugh by Deed dated December 8, 1885, and recorded under Recording Number 8870;

Thence south  $1^{\circ}58'00''$  east along said east line 283.80 feet, more or less, to the north line of a County Road, being also the south boundary of a tract of land conveyed to Ralph E. Leber and La Vern June Leber his wife, by Deed dated February 4, 1955, and recorded under Recording Number 4543722;

Thence in an easterly direction along the north line of said County Road south  $89^{\circ}17'00''$  east 242.10 feet, north  $78^{\circ}06'00''$  east 239.10 feet north and  $87^{\circ}14'00''$  east 330.61 feet, more or less, to said southerly production of the west line of said south Third Avenue;

Thence north  $1^{\circ}55'37''$  west along said produced west line 249.16 feet, more or less, to the True Point of Beginning.

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**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**May 17, 2016**

**FCD Resolution**

**Proposed No. FCD2016-09.1**

**Sponsors**

1                   A RESOLUTION authorizing the chair to enter into a  
2                   third amendment to the contract for executive director  
3                   services.

4                   WHEREAS, the King County Flood Control Zone District ("District") has entered  
5 into a contract for executive director services with Lund Consulting, Inc.; and

6                   WHEREAS, the District desires to amend the contract as set forth in Attachment  
7 A to this resolution; now, therefore

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

10                   SECTION 1. The chair of the King County Flood Control Zone District is  
11 authorized to enter into the "Third Amendment to Contract for Consultant Services,"  
12 Attachment A to this resolution.

13

KING COUNTY FLOOD CONTROL ZONE  
DISTRICT  
KING COUNTY, WASHINGTON

\_\_\_\_\_  
Reagan Dunn, Chair

ATTEST:  
\_\_\_\_\_

Anne Noris, Clerk of the Board

**Attachments:** A. Third Amendment to Contract for Consultant Services



**THIRD AMENDMENT TO  
CONTRACT FOR CONSULTANT SERVICES  
KING COUNTY FLOOD CONTROL ZONE DISTRICT**

This THIRD AMENDMENT amends sections 2 and 3 of the Contract for Consultant Services (“Contract”) between the King County Flood Control Zone District, King County, Washington, a municipal corporation of the State of Washington (“District”) and Lund Consulting, Inc. (“Consultant”) as follows:

A. Amendment of Section 2. Section 2 of the Contract is amended as follows:

2. Compensation and Method of Payment.

The District shall pay Consultant according to the rates set forth in Sections ~~I and II~~ 2 of Exhibit "A" to the ~~Second~~ Third Amendment to Contract for Consultant Services ~~and in total amounts as described in Exhibit "A" (dated January 25, 2016); provided, that t~~ The total compensation shall not exceed annual budget appropriations for the services amounts for the period February 29, 2016 through May 31, 2016 shall not exceed \$74,000.

The Consultant shall request payment for work performed using the billing invoice form at Exhibit "C." The Consultant shall complete and return to the District Exhibit "C D," Tax Identification Number," prior to or along with the first billing invoice. The District shall pay the Consultant for services rendered within ten (10) days after Board voucher approval.

B. Amendment of Section 3. Section 3 of the Contract is amended as follows:

3. Duration of Agreement. This Agreement shall be in full force and effect for a period commencing on April 1, 2015 and ending on ~~May~~ December 31, 2016, unless sooner terminated or extended under the provisions of this Agreement. Time is of the essence of this Agreement in each and all of its provisions in which performance is required.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on the dates written below:

Attachment A

KING COUNTY FLOOD CONTROL  
ZONE DISTRICT

By: \_\_\_\_\_

Title: Board Chair

Date: \_\_\_\_\_

CONSULTANT

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Exhibit A  
Third Amendment

Section 1. Tasks

1. Oversee District operations working with Executive Committee
  - a. Work with Executive Committee chair to set agendas for Executive Committee meetings
  - b. Work with chair to set agendas for Board
  - c. Monitor assignments with consultants, member staff, central communications staff, and King County WLRD
  - d. Keep Executive Committee informed of emerging issues
  
2. Perform policy analysis on behalf of District
  - a. Work with Executive Committee staff
  - b. Inclusive of SWIF, Farm, Fish and Flood Task Force, Basin plans
  
3. Oversee compliance
  - a. Track compliance with adopted resolutions
  - b. Serve as liaison between District and State Auditor
  
4. District Spokesperson
  - a. Represent District with Advisory Committee
  - b. Represent District with other ad hoc advisory committees
  - c. Represent District with media as requested
  - d. Represent District with general public inquiries
  
5. Administrative Services
  - a. Draft resolutions with direction from Executive Director
  - b. Marshall and assemble information for meeting packets
  - c. Coordinate with Clerk to ensure records are maintained
  - d. Process paperwork such as business license, filings, insurance, invoices, warrants
  - e. Schedule meetings
  
6. Work with legal counsel on real estate matters
  - a. Manage signature processes and records

Section 2. Rates

CLASSIFICATION	STAFF MEMBER	2016 BILLING RATES	BILLING RATE FOR KING COUNTY	ESTIMATE HOURS PER MONTH	ESTIMATE MONTHLY COST
Lund Consulting, Inc.					
Principal	Kjristine Lund	\$300.00	\$235.00	100	\$23,500

*\*rates includes salary, sick leave, vacation leave, health insurance, disability insurance, state and local taxes, office rent, phones, computers, normal office supplies, overhead.*

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**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**May 17, 2016**

**FCD Motion**

**Sponsors**

**Proposed No. FCD16-02.1**

1 A MOTION RESOLUTION relating to the King County Flood  
2 Control Zone District's 2015 financial statements and adopting the  
3 "King County Flood Control Zone District Financial Statements  
4 for the Year Ended December 31, 2015.

5 WHEREAS, the King County Flood Control Zone District ("District") board of  
6 supervisors desires to adopt the District's financial statements for the year ended  
7 December 31, 2015; now, therefore

8 BE IT MOVED BY THE BOARD OF SUPERVISORS OF THE KING  
9 COUNTY FLOOD CONTROL ZONE DISTRICT:

10 SECTION 1. The King County Flood Control Zone District board of supervisors  
11 adopts the "King County Flood Control Zone District Financial Statements for the Year  
12 Ended December 31, 2015", attached to this motion as Attachment A.

13

KING COUNTY FLOOD CONTROL ZONE  
DISTRICT  
KING COUNTY, WASHINGTON

\_\_\_\_\_  
Reagan Dunn, Chair

ATTEST:

\_\_\_\_\_  
Anne Noris, Clerk of the Board

**Attachments:** A. King County Flood Control Zone District Financial Statements for the Year Ended  
December 31, 2015

**King County Flood Control Zone District**

---

**Financial Statements for the  
Year Ended December 31, 2015**

**KING COUNTY FLOOD CONTROL ZONE DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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FRANCIS & COMPANY PLLC

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

King County Flood Control Zone District  
Seattle, Washington

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of King County Flood Control Zone District, as of and for the year ended December 31, 2015, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

**Required Supplementary Information**

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, 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. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.



Seattle, Washington  
April 9, 2016

206.282.3720 T  
206.282.3949 F

701 Dexter Ave. N., Suite 404  
Seattle, Washington 98109

[francis-company.com](http://francis-company.com)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the King County Flood Control Zone District (the District) for the fiscal year ended December 31, 2015. We encourage readers to consider this information in conjunction with the District's financial statements and notes to the financial statements, which follow.

The District was established in April 2007 to provide an integrated and coordinated approach to flooding as well as funding to improve the King County's nearly 500 aging and inadequate flood protection facilities. The King County Council oversees the District as a Board of Supervisors. A 15-member Advisory Committee, made up of citizens and local government officials, provides recommendations on the District's work plan and budget.

The District has also entered into an inter-local agreement with the Water and Land Resources Division of King County to provide the necessary staffing for implementation of the District flood control programs and projects.

### Financial Highlights

- As of December 31, 2015, the assets of the District exceeded its liabilities by \$162.51 million on a government-wide basis (net position). Net position included net investment in capital assets of \$110.48 million and unrestricted net position of \$52.03 million.
- In 2015, the District's total net position increased by \$16.96 million.
- As of December 31, 2015, the District's governmental fund had an ending balance of \$51.05 million, which was an increase of \$0.87 million from the prior year. The governmental fund balances included \$4 million attributable to non-spendable cash advance, \$19.5 million committed for carryover of unspent appropriations, and \$7.5 million was assigned for self-insured retention. The remaining portion of fund balance, \$20.05 million, was unassigned and available to support future operations.

### Overview of the Financial Statements

The District's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. Required supplementary information is presented in addition to the basic financial statements.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The statements provide short-term and long-term information about the District's financial position, which assists in assessing the District's financial condition at the end of the fiscal year. These statements are prepared using the flow of economic resources measurement focus and the 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 assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Over time, this information may serve as a useful indicator of the District's financial position. The District's net position was \$162.51 million at the end of 2015, and 67.97 percent of the net position was invested in capital assets. Total net position increased \$16.96 million, and investment in capital assets went up by \$16.10 million or 17 percent in 2015. For further information regarding the increase in capital assets see Note 4 to the financial statements. The increase in net position in 2015 reflects the District's ability to meet current and future obligations in the course of its activities.

	2015	2014
<b>Condensed Statement of Net Position</b>		
<b>ASSETS</b>		
Current and other assets	\$80,320,132	\$64,261,969
Capital assets	110,481,375	94,379,777
Total assets	<u>190,801,507</u>	<u>158,641,746</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	
<b>LIABILITIES</b>		
Current liabilities	<u>28,287,628</u>	13,084,650
Total liabilities	<u>28,287,628</u>	<u>13,084,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	
<b>NET POSITION</b>		
Net investment in capital assets	110,481,375	94,379,777
Unrestricted	<u>52,032,504</u>	<u>51,177,319</u>
Total net position	<u>\$ 162,513,879</u>	<u>\$145,557,096</u>

The District's flood control services are funded by property taxes, which comprise 99.82 percent of total revenue. Total revenue increased by \$0.84 million in 2015 compared to 2014. Expenses decreased by \$7.87 million compared to the prior year. The change in the District's total net position resulted from revenues exceeding expenses; a significant portion of this excess was expended on capital assets. The overall financial position of the District has improved in 2015 and indicates its ability to meet its ongoing obligations.

**Condensed Statement of Activities**

	<b>2015</b>	<b>2014</b>
Property taxes	\$53,371,672	\$51,883,612
Interest income	417,397	343,694
Other taxes	366,923	289,216
Loss on sale of capital asset	(602,134)	-
Unrealized investment gain (loss)	(89,439)	107,227
Total Revenue	<u>53,464,419</u>	<u>52,623,749</u>
<b>EXPENSES</b>		
Flood controls	<u>36,507,636</u>	<u>44,372,890</u>
Change in Net Position	<u>16,956,783</u>	<u>8,250,859</u>
Net Position, End of Year	<u>\$162,513,879</u>	<u>\$145,557,096</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.

<b>Condensed Balance Sheet</b>	<b>2015</b>	<b>2014</b>
<b>Total Assets</b>	\$80,320,132	\$64,261,969
<b>Deferred Outflows of Resources</b>	-	-
<b>Total Liabilities</b>	28,287,628	13,084,650
<b>Deferred Inflows of Resources</b>	979,224	991,334
<b>Fund Balances</b>		
Nonspendable – cash advance	4,000,000	4,000,000
Committed	19,504,744	-
Assigned	7,500,000	-
Unassigned	20,048,536	46,185,985
Total Fund Balances	<u>\$51,053,280</u>	<u>\$50,185,985</u>

As of December 31, 2015, the District's governmental fund reported ending fund balances of \$51.05 million, of which \$4 million was non-spendable, \$19.5 was committed and \$7.5 million was assigned. 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 6 to the District's financial statements. The committed fund balance of \$19.5 million is for carryover of unspent appropriations, and the assigned fund balance of \$7.5 million is for self-insured retention relating to the District's excess liability coverage and is explained in Note 5 to the District's financial statements. The remainder, \$20.05 million, is available for spending in future years at the District's discretion. The total fund balances increased by \$0.87 million.

<b>Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances</b>		
	<b>2015</b>	<b>2014</b>
<b>Total Revenues</b>	\$54,316,580	\$52,516,916
<b>Total Expenditures</b>	53,449,286	56,535,206
<b>Changes in Fund Balances</b>	\$867,294	\$(4,018,290)

Overall governmental fund revenues for 2015 totaled \$54.32 million, which represents an increase of 3.4 percent, or \$1.80 million over 2014. The increase was primarily due to the increase in property tax levied in 2015. Total expenditures decreased 5.5 percent or \$3.09 million from the previous year, primarily due to a decrease in capital project expenditures. The fund balance increased by \$0.87 million in 2015 compared to a decrease of \$4.02 million for the year of 2014.

**Budget Variances in the General Fund**

Differences between the original budget and the final amended budget resulted from a significant increase to budgeted expenditures for capital projects.

The difference between actual and budgeted property tax revenue was attributable to accounting basis. Property taxes were budgeted based on approved tax levies for 2015, while property taxes reported as actual were total taxes collected in 2015. See the District's accounting policies in Note 1 to the financial statements. Actual expenditures were less than budget estimates by \$89.42 million primarily because the 2015 budgeted expenditures included carryover amounts from prior years which were not expended in 2015.

### Capital Assets

The District's capital assets, net of accumulated depreciation, amounted to \$110 million as of December 31, 2015. This is an increase of \$16.10 million or 17 percent from the previous year. These capital assets include land, construction in progress, levees and facilities, and machinery and equipment. For further information regarding capital assets, see Note 5 to the financial statements.

	<b>Balance</b>	<b>Balance</b>
<b>Governmental Activities</b>	<b>12/31/2015</b>	<b>12/31/2014</b>
Land	\$56,042,109	\$50,177,981
Construction in progress	44,724,153	37,215,103
Levees and facilities	11,128,710	8,109,008
Machinery and equipment	18,476	18,476
Less: accumulated depreciation	(1,432,073)	(1,140,791)
<b>Total Capital Assets, Net</b>	<u>\$110,481,375</u>	<u>\$94,379,777</u>

### Economic Factors and Next Year's Budget

The District adopts its budget on an annual basis. The budget is based on the District's goals and its operating and capital programs. The 2016 budget (General Fund) is summarized below.

<b>Property Taxes</b>	<u>\$54,107,486</u>
District overhead and administration	661,932
Maintenance and operations	9,736,100
Construction and improvements	26,113,456
<b>Total</b>	<u>\$36,511,488</u>

The District's Board has authorized \$54.11 million of property taxes to be levied for 2016, an increase of 1.3 percent over 2015.

### 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 3<sup>rd</sup> Ave, Room 1200, Seattle, Washington 98104.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

		Primary Government Governmental Activities
<b>ASSETS</b>		
Cash	\$	75,277,856
Taxes receivable		979,224
Other receivable		63,052
Cash advance		4,000,000
Capital assets not being depreciated (Note 5)		
Land		56,042,109
Construction in progress		44,724,153
Capital assets net of accumulated depreciation (Note 5)		
Levees and facilities		9,715,113
Machinery and equipment		-
<b>TOTAL ASSETS</b>		<b>190,801,507</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		<b>-</b>
<b>LIABILITIES</b>		
Accounts payable		28,287,628
<b>TOTAL LIABILITIES</b>		<b>28,287,628</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets		110,481,375
Unrestricted		52,032,504
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>162,513,879</b>

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

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues			Net Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>				
Flood controls	\$ 36,507,636			\$ 36,507,636
Total primary government				36,507,636
<b>GENERAL REVENUES</b>				
Taxes:				
Property taxes				53,371,672
Leasehold excise taxes				340,593
Other taxes				26,330
Loss on sale of capital asset				(602,134)
Investment earnings				417,397
Unrealized investment (loss)				(89,439)
Total general revenues				53,464,419
<b>CHANGE IN NET POSITION</b>				<b>16,956,783</b>
<b>NET POSITION, BEGINNING OF THE YEAR</b>				<b>145,557,096</b>
<b>NET POSITION, END OF THE YEAR</b>				<b>\$ 162,513,879</b>

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

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2015**

	General Fund
<b>ASSETS AND OUTFLOWS OF RESOURCES</b>	
Cash	\$ 75,277,856
Taxes receivable	979,224
Other receivable	63,052
Cash advance	4,000,000
<b>TOTAL ASSETS</b>	<b>80,320,132</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>80,320,132</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	28,287,628
<b>TOTAL LIABILITIES</b>	<b>28,287,628</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property tax	979,224
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>979,224</b>
<b>FUND BALANCES</b>	
Nonspendable - cash advance	4,000,000
Restricted	-
Committed	19,504,744
Assigned	7,500,000
Unassigned	20,048,536
<b>TOTAL FUND BALANCES</b>	<b>51,053,280</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 80,320,132</b>
Total fund balances - governmental fund	51,053,280
Amounts reported for governmental activities in the statement of net position (page 7) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund	110,481,375
Property taxes levied but unavailable in the governmental fund which were reported as property tax revenue in the statement of activities	979,224
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 162,513,879</b>

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

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund
<b>REVENUES</b>	
Property taxes, net of refund of \$73,826	\$ 53,383,782
Leasehold excise taxes	340,593
Other taxes	26,330
Interest income	417,397
Proceeds from sale of capital asset	237,917
Unrealized investment (loss)	(89,439)
Total revenues	54,316,580
<b>EXPENDITURES</b>	
Current operating:	
Administrative and other operating expenses	666,522
Contracted labor and services	8,045,763
Investment expenses	22,492
Capital projects expenditures	44,714,509
Total expenditures	53,449,286
<b>CHANGE IN FUND BALANCES</b>	867,294
<b>TOTAL FUND BALANCES, BEGINNING OF THE YEAR</b>	50,185,986
<b>TOTAL FUND BALANCES, END OF THE YEAR</b>	<b>51,053,280</b>
Change in fund balances - governmental fund	867,294
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 depreciation	16,941,650
Governmental fund reports proceeds from sale of capital asset. However, government-wide fund reflects the net cost of the asset sold to report loss on sale	(840,051)
Prior year property taxes collected which are not reported as current year revenue in the statement of activities	(12,110)
<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,956,783</b>

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

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of King County Flood Control Zone District (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

**Reporting Entity**

The District, a municipal corporation and independent taxing authority, was established in April 2007 to provide funding and policy oversight for flood protection projects and programs in King County. The District took over several King County flood districts to improve the County's aging and inadequate flood protection facilities and improve countywide flood warnings and flood prediction capacity.

As authorized by the Revised Code of Washington (RCW) 86.1, the King County Council is the District's Board of Supervisors, the governing body. The Board is staffed by the Executive Director, an outside management consultant who oversees overall performance and who represents the District on behalf of the Board of Supervisors.

The District is considered a special purpose government, supported primarily through property tax levied in King County. All activities for which the District is financially accountable have been incorporated to form the reporting entity. The District has no component units that are required to be included in its financial statements. King County reports the District as a component unit in its financial statements. However, the District, as a separate legal entity, has legal and administrative authority over all its resources.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements report information on all of the non-fiduciary activities of the District, the primary government, consisting of a 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

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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 budgeted on a project basis. Projects are budgeted in their entirety when approved, regardless of anticipated expenditure dates. Each year thereafter, the remaining unexpended portion of each project is budgeted again in the following year.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

When the District determines that it is in the best interest of the District to increase or decrease the appropriation of a particular expenditure item, it may do so by resolution approved by its Board of Supervisors.

The budgetary comparison schedule on page 20 contains the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, allocations, supplemental appropriations, and other legally authorized changes applicable for the year.

The District may over expend appropriations in those instances where no specific limit is identified. In these cases, services that have been appropriately authorized are considered to be eligible for payment and revenue is available to pay for the service.

**Cash**

Cash consists of pooled investments in the King County Investment Pool (the Pool). The King County Treasurer acts as custodian for the District's cash. The Pool functions as a demand deposit account where the District receives an allocation of its proportionate share of pooled earnings. Interest earnings distributed to the District are used for the District's operations. The cash balance at the fiscal year end is reported at fair market value of pooled investments.

**Receivables**

Taxes receivable consists of property taxes and related interest and penalties (See Property Taxation Note No. 4). Interest receivable consists of amounts earned on investments at the end of the year.

**Cash Advance**

Advance to the King County Water and Land Resources Division for the District's operating and capital expenditures is included in the nonspendable fund balance in the governmental fund to indicate that it is not available for appropriation and is not an expendable financial resource.

**Capital Assets**

Capital assets, which include land, construction in progress, levees and facilities, and machine and equipment, are reported in the government-wide financial statements. Construction in progress reports all costs associated with projects being developed. As projects are completed, the related costs are reclassified as levees and facilities.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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 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, 2015, the District had deferred inflows of resources of \$979,224.

**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.

*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.

*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 related debt".

As of December 31, 2015, the District reported \$110,481,375 of net investment in capital assets and unrestricted net position of \$52,032,504.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**Fund Balance Classification and Details**

In the fund financial statements, governmental funds report the following classes of fund balances in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Non-spendable fund balances are amounts that cannot be spent because they are either in a non-spendable form or are legally/contractually required to be maintained intact, including inventories, prepaid expenses, advances, etc.

Restricted fund balances are amounts that can be spent only for specific purposes stipulated by donors, grantors, creditors or by law.

Committed fund balances are amounts that are constrained for a specific purpose determined by a formal action of the District's Board of Supervisors, the District's highest level of decision-making authority. The same action is required to remove or change the constraint as it did to impose the constraint.

Assigned fund balances are amounts constrained by the District's intent that they will be used for specific purposes. The District has adopted its policy to delegate the authority to assign amounts to be used for specific purposes to its Executive Committee.

Unassigned fund balances are amounts not classified as non-spendable, restricted, committed or assigned in the general fund.

As of December 31, 2015, the District had non-spendable funds of \$4,000,000 advanced to King County for payment of reimbursable operating and capital expenditures, \$19,504,744 of committed funds for carryover of unspent appropriations, and \$7,500,000 of assigned funds for self-insured retention relating to its excess liability insurance policy. Unassigned funds as of December 31, 2015 was \$20,048,536.

The District's spending policy of its general fund is restricted, assigned, unassigned, and committed. Restricted fund balances are spent first according to the purposes for which restricted funds are received. Unassigned funds are spent after committed and assigned funds have been exhausted.

**Income Tax**

As a public governmental corporation, the District is exempt from federal income taxes.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 - 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, 2015, the District had unimpaired pooled investments of \$75,256,888 at fair value.

Impaired Investments – As of December 31, 2015, 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 \$3,366 and the fair value of these investments was \$2,113.

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2015, the Pool's average duration was .93 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 to participants. The Pool distributes earnings monthly using an amortized cost methodology.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

*Credit Risk* is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. As of December 31, 2015, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSPO). In compliance with state statutes, the Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

**NOTE 3 - PROPERTY TAXATION**

The District is authorized to levy property taxes to fund flood-related services and capital projects. The King County Assessor determines the tax levied against each property in each taxing district. The King County Treasury Operation Section Manager is responsible for billing and collecting taxes. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. Tax bills are mailed on February 14. All taxes are due and payable on April 30th of each year, but if the amount due from a taxpayer exceeds fifty dollars, one-half may be paid on April 30th and the balance is due no later than October 31st of that year. All taxes collected are distributed to the District and kept in the custody of the King County Treasury Division.

In the governmental fund, property taxes levied for the current year are recorded on the balance sheet as taxes receivable and unavailable revenue – property tax at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time taxes receivable and unavailable revenue – property tax are reduced by the amount of the collection. The amount of taxes receivable at year end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end, all uncollected property taxes are reported on the balance sheet as taxes receivable – delinquent and deferred inflow of resources. For the government-wide financial statements, the deferred inflow of resources related to the current period, net of the allowance for uncollectible property taxes, is reclassified to revenue. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible.

The District is permitted by law to levy a tax rate of 1 percent or \$10 per \$1,000 assessed value. \$53,371,672 was levied for 2015 and \$53,383,782

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

was collected during 2015, including delinquent taxes from previous years. The District had taxes receivable of \$979,224 as of December 31, 2015.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended December 31, 2015 were as follows:

	Balance 12/31/2014	Increases	Decreases	Balance 12/31/2015
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 50,177,981	\$ 6,704,179	\$ (840,051)	\$ 56,042,109
Construction in progress	37,215,103	10,528,752	(3,019,702)	44,724,153
<b>Total capital assets, not being depreciated</b>	<b>87,393,084</b>	<b>17,232,931</b>	<b>(3,859,753)</b>	<b>100,766,262</b>
<b>Capital assets, being depreciated:</b>				
Levees and facilities	8,109,008	3,019,702	-	11,128,710
Machinery and equipment	18,476	-	-	18,476
<b>Total capital assets, being depreciated</b>	<b>8,127,484</b>	<b>3,019,702</b>	<b>-</b>	<b>11,147,186</b>
<b>Less accumulated depreciation for:</b>				
Levees and facilities	(1,124,163)	(289,434)	-	(1,413,597)
Machinery and equipment	(16,628)	(1,848)	-	(18,476)
<b>Total accumulated depreciation</b>	<b>(1,140,791)</b>	<b>(291,282)</b>	<b>-</b>	<b>(1,432,073)</b>
Total capital assets, being depreciated, net	6,986,693	2,728,420	-	9,715,113
<b>Total capital assets, net</b>	<b>\$ 94,379,777</b>	<b>\$ 19,961,351</b>	<b>\$(3,859,753)</b>	<b>\$ 110,481,375</b>

Land is acquired in the name of the King County in accordance with the Inter-Local Agreement. As of December 31, 2015, the District reported a total amount of \$56,042,109 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, 2015, transfers have not taken place. In addition, the district had flood control construction in progress totaling \$44,724,153. No

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

depreciation is calculated for construction in progress. Construction in progress reports all costs associated with projected being developed.

As projects are completed, the related costs are reclassified as levees and facilities. During 2015, \$3,019,702 was transferred from construction in progress to levees and facilities. Total depreciation expense of \$291,282 was charged to the flood control function of the District in 2015.

**NOTE 5 - RISK MANAGEMENT AND CONTINGENCIES**

The District's risk-of-loss exposures include exposure to liability, accidental loss of real and personal property as well as human resources. The District's operations involve a variety of high-risk activities including, but not limited to, construction and maintenance activities. The District manages these risks with assistance from King County in order to reduce the exposure from liability and accidental loss of property and human resources. The risk management costs through King County are reimbursable by the District.

The District also has excess liability insurance coverage with Alliant Insurance Services that covers the District, its board members, employees and staff. The total coverage amount is \$100 million with a self-insured retention of \$7.5 million. Under this type of policy the District is responsible for the administration of all claims, which would be managed by King County on its behalf.

There were no claims against the District during the year 2015.

**NOTE 6 - COMMITMENT**

Since April 2008, the District has entered into an inter-local agreement with King County for administering and implementing flood protection projects and services. The District pays the County for all actual costs incurred for providing the services under this agreement. The County billed \$52,447,829 to the District during 2015, and \$28,121,488 was due to the County as of December 31, 2015. The District has advanced \$4,000,000 to the County for prepayment of reimbursable costs. The net outstanding payable to the County was \$24,121,488.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT  
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 53,399,857	\$ 53,399,857	\$ 53,383,782	\$ (16,075)
Other taxes			366,923	366,923
Interest Income, net investment expenses			394,905	394,905
<b>Total Revenue</b>	<b>53,399,857</b>	<b>53,399,857</b>	<b>54,145,610</b>	<b>745,753</b>
<b>EXPENDITURES</b>				
Administration and management	568,463	704,687	666,522	(38,165)
Intergovernmental services	9,222,891	9,335,891	8,045,763	(1,290,128)
Capital program expenditures	57,927,925	132,567,667	44,714,509	(87,853,158)
<b>Total Expenditures</b>	<b>67,719,279</b>	<b>142,608,245</b>	<b>53,426,794</b>	<b>(89,181,451)</b>
Excess of revenues over expenditures			718,816	
Adjustment from budgetary basis to GAAP basis			148,478	
Excess of revenues over expenditures			867,294	
<b>FUND BALANCES, BEGINNING OF THE YEAR</b>			<b>50,185,986</b>	
<b>FUND BALANCES, END OF THE YEAR</b>			<b>\$ 51,053,280</b>	

Element of adjustment from budgetary basis to GAAP basis:

Proceeds from sale of capital asset	237,917
Recognition of unrealized investment loss	(89,439)
Adjustment from budgetary basis to GAAP basis	<u>148,478</u>

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