



King County Flood Control Zone District

**Financial Statements for the
Year Ended December 31, 2021**

Accountant's Compilation Report

ACCOUNTANT'S COMPILATION REPORT

King County Flood Control Zone District
Seattle, Washington

Management is responsible for the accompanying financial statements of King County Flood Control Zone District, as of and for the year ended December 31, 2021, and related notes to the financial statements, which collectively comprise the District'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.

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 25, 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 responsibility of management. The required supplementary 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.

We are not independent with respect to King County Flood Control Zone District.



Seattle, Washington
May 16, 2022

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Management's Discussion and Analysis

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, 2021. 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, 2021, the assets of the District exceeded its liabilities by \$233.4 million on a government-wide basis (net position). Net position included net investment in capital assets of \$167.3 million and unrestricted net position of \$66.1 million.
- In 2021, the District's total net position increased by \$8.3 million.
- As of December 31, 2021, the District's governmental fund had an ending balance of \$65.2 million, which was a decrease of \$10.7 million from the prior year. The governmental fund balances included \$4.0 million attributable to nonspendable cash advance, \$51.1 million committed for carryover of unspent appropriations, and \$7.5 million was assigned for self-insured retention. The remaining portion of fund balance, \$2.6 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 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 gain 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 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 \$233.4 million at the end of 2021, and 71.7 percent of the net position was invested in capital assets. In 2021, the District's total net position increased by \$8.3 million.

Investment in capital assets went up by \$19.0 million or 12.8 percent in 2021. For further information regarding the increase in capital assets see Note 4 to the financial statements. The increase in net position in 2021 reflects the District's ability to meet current and future obligations in the course of its activities.

	2021	2020
Condensed Statement of Net Position		
ASSETS		
Current and other assets	\$ 87,341,703	\$ 118,543,080
Capital assets	167,355,177	148,319,499
Total assets	254,696,880	266,862,579
DEFERRED OUTFLOWS OF RESOURCES		
	46,969	8,989
LIABILITIES		
Current liabilities	21,089,320	41,780,433
Noncurrent liabilities	18,135	19,179
Total liabilities	21,107,455	41,799,612
DEFERRED INFLOWS OF RESOURCES		
	193,980	5,290
NET POSITION		
Net investment in capital assets	167,355,177	148,319,499
Unrestricted	66,087,237	76,747,167
Total net position	\$ 233,442,414	\$ 225,066,666

	2021	2020
Condensed Statement of Activities		
GENERAL REVENUE		
Property taxes	\$ 58,081,177	\$ 58,632,467
Investment earnings, net	669,729	1,490,926
Other taxes	285,357	270,245
Unrealized investment gain (loss)	<u>(1,078,865)</u>	<u>402,527</u>
Total Revenue	<u>57,957,398</u>	<u>60,796,165</u>
EXPENSES		
Flood controls	<u>49,581,650</u>	<u>55,725,167</u>
Change in Net Position	8,375,748	5,070,998
Net Position, Beginning of Year	<u>225,066,666</u>	<u>219,995,668</u>
Net Position, End of Year	<u>\$ 233,442,414</u>	<u>\$ 225,066,666</u>

The District's flood control services are funded by property taxes, which comprise 100.2 percent of total general revenue. Total general revenue decreased by \$2.8 million or 4.7 percent in 2021, primarily due to unrealized investment loss. Expenses decreased by \$6.1 million or 11.0 percent in 2021, primarily due to decreases in capital expenditures compared to the prior year. The change in the District's total net position resulted from revenues exceeding expenses. The overall financial position of the District has improved in 2021 and indicates its ability to meet its ongoing obligations.

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.

As of December 31, 2021, the District's governmental fund reported ending fund balances of \$65.2 million, of which \$4.0 million was nonspendable, \$51.1 million was committed and \$7.5 million was assigned. The nonspendable fund balance of \$4.0 million was advanced to the King County Water and Land Resources Division for the District's operating and capital expenditures. For more information regarding nonspendable cash advance, see Note 6 to the District's financial statements. The committed fund balance of \$51.1 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, \$2.6 million, is available for spending in future years at the District's discretion. The total fund balances decreased by \$10.7 million.

	2021	2020
Condensed Balance Sheet		
Total Assets	\$ 87,152,532	\$ 118,542,721
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>87,152,532</u>	<u>118,542,721</u>
Total Liabilities	21,042,845	41,747,446
Deferred Inflows of Resources	874,292	910,381
Fund Balances		
Nonspendable - cash advance	4,000,000	4,000,000
Committed	51,062,818	36,529,876
Assigned	7,500,000	7,500,000
Unassigned	<u>2,672,577</u>	<u>27,856,724</u>
Total Fund Balances	<u>\$ 65,235,395</u>	<u>\$ 75,886,600</u>

Overall governmental fund revenues for 2021 totaled \$58.0 million, a decrease of \$2.6 million or 4.2 percent. The decrease was primarily due to unrealized investment loss. Total expenditures decreased 13.4 percent or \$10.7 million from the previous year, primarily due to a decrease in capital project expenditures. The fund balance decreased by \$10.7 million in 2021 compared to a decrease of \$18.8 million for 2020.

	2021	2020
Condensed Statement of Revenues, Expenditures, and Changes in Fund Balances		
Total Revenues	\$ 58,016,033	\$ 60,587,711
Total Expenditures	<u>68,667,238</u>	<u>79,371,790</u>
Changes in Fund Balances	<u>\$ (10,651,205)</u>	<u>\$ (18,784,079)</u>

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.

Property tax revenue was on budget for 2021. Property taxes were budgeted based on approved tax levies for 2021, while property taxes reported as actual were total taxes collected in 2021. See the District's accounting policies in Note 1 to the financial statements. Actual expenditures were less than budget estimates by \$202.8 million primarily because the 2021 budgeted expenditures included carryover amounts from prior years which were not completely expended in 2021.

Capital Assets

The District's capital assets, net of accumulated depreciation, amounted to \$167.3 million as of December 31, 2021. This is an increase of \$19.0 million or 12.8 percent from the previous year. For further information regarding capital assets, see Note 4 to the financial statements.

	Balance 12/31/2021	Balance 12/31/2020
Governmental Activities		
Land	\$ 80,911,892	\$ 76,189,397
Easement	21,984	21,984
Construction in progress	40,418,577	24,301,312
Levees and facilities	54,067,182	54,067,182
Machinery and equipment	27,689	27,689
Less: accumulated depreciation	(8,092,147)	(6,288,065)
Total Capital Assets, Net	<u>\$ 167,355,177</u>	<u>\$ 148,319,499</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 2022 budget is summarized below:

Property Taxes	<u>\$ 58,768,481</u>
Expenditures	
District overhead and administration	2,338,637
Maintenance and operations	16,313,808
Construction and improvements	132,843,015
Total expenditures	<u>\$ 151,495,460</u>

The District's Board has authorized \$58.8 million of property taxes to be levied for 2022, an increase of 0.6 percent from 2021.

Request for Information

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

Statement of Net Position

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

		Primary Government
	Note Reference	Governmental Activities
ASSETS		
Cash and cash equivalents		\$ 81,993,707
Taxes receivable		1,115,511
Other receivable		43,314
Cash advance		4,000,000
Capital assets not being depreciated	Note 4	
Land		80,911,892
Easements		21,984
Construction in progress		40,418,577
Capital assets net of accumulated depreciation	Note 4	
Levees, facilities and machinery		46,002,724
Pension asset		189,171
TOTAL ASSETS		254,696,880
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plans	Notes 1, 5	46,969
TOTAL DEFERRED OUTFLOWS OF RESOURCES		46,969
LIABILITIES		
Current liabilities:		
Accounts payable and other accrued liabilities		21,042,845
Accrued compensated absences		46,475
TOTAL CURRENT LIABILITIES		21,089,320
Noncurrent liabilities:		
Pension liability	Note 5	18,135
TOTAL NONCURRENT LIABILITIES		18,135
TOTAL LIABILITIES		21,107,455
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plans	Notes 1, 5	193,980
TOTAL DEFERRED INFLOWS OF RESOURCES		193,980
NET POSITION		
Net investment in capital assets	Note 1	167,355,177
Unrestricted net position		66,087,237
TOTAL NET POSITION		\$ 233,442,414

Statement of Activities

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	
PRIMARY GOVERNMENT					
Flood controls	\$ 49,581,650				\$ 49,581,650
Total primary government					49,581,650
General Revenue					
Taxes:					
Property taxes					58,081,177
Leasehold excise taxes					238,475
Other taxes					46,882
Investment earnings, net of investment expenses					669,729
Unrealized investment income (loss)					(1,078,865)
Total general revenues and special item					57,957,398
CHANGE IN NET POSITION					8,375,748
NET POSITION, BEGINNING OF THE YEAR					225,066,666
NET POSITION, END OF THE YEAR					\$ 233,442,414

Balance Sheet

Governmental Fund

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2021**

	Reference	General Fund
ASSETS AND OUTFLOWS OF RESOURCES		
Cash and cash equivalents		\$ 81,993,707
Taxes receivable		1,115,511
Other receivable		43,314
Cash advance		4,000,000
TOTAL ASSETS		87,152,532
DEFERRED OUTFLOWS OF RESOURCES		
		-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		87,152,532
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities		21,042,845
TOTAL CURRENT LIABILITIES		21,042,845
TOTAL LIABILITIES		21,042,845
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property tax	Note 1	874,292
TOTAL DEFERRED INFLOWS OF RESOURCES		874,292
FUND BALANCES		
	Note 1	
Nonspendable - cash advance		4,000,000
Restricted		-
Committed		51,062,818
Assigned		7,500,000
Unassigned		2,672,577
TOTAL FUND BALANCES		65,235,395
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		\$ 87,152,532
Total fund balances - governmental fund		\$ 65,235,395
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		167,355,177
Accrued compensated absences not reported in governmental fund		(46,475)
GASB 68 pension asset and deferred outflows not reported in governmental fund		236,140
GASB 68 pension liability and deferred inflows not reported in governmental fund		(212,115)
Property taxes levied but unavailable in the governmental fund which were reported as property tax revenue in the statement of activities		874,292
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 233,442,414

Statement of
Revenues, Expenditures, and
Changes in Fund Balance
Governmental Fund

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund
REVENUES	
Property taxes, net of refund of \$139,684	\$ 58,117,266
Leasehold excise taxes	238,475
Other taxes	46,882
Investment income	692,275
Unrealized investment income (loss)	(1,078,865)
TOTAL REVENUES	58,016,033
EXPENDITURES	
Current operating:	
Administrative and other operating expenses	2,128,701
Contracted labor and services	11,977,026
Investment expenses	22,546
Capital projects expenditures	54,538,965
TOTAL EXPENDITURES	68,667,238
CHANGE IN FUND BALANCES	(10,651,205)
TOTAL FUND BALANCES, BEGINNING OF THE YEAR	75,886,600
TOTAL FUND BALANCES, END OF THE YEAR	\$ 65,235,395
Change in fund balances - governmental fund	\$ (10,651,205)
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 expenses.	19,035,678
Net change in accrued expenses for compensated absences not reported in governmental fund but reported in government-wide financial statements	8,311
Expense adjustment related to GASB 68; net pension obligation	19,052
Prior year property taxes collected which are not reported as current year revenue in the statement of activities	(36,088)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 8,375,748

Notes to the Financial Statements

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) 86.15 "Flood Control Zone Districts", 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 are primarily supported by property taxes.

The statement of activities demonstrates the degree to which the direct expenses of the District's program are offset by the program revenues.

The District's flood control activities are funded by property taxes, which are not considered to be program revenues. Taxes and other items 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, claims and judgments are recorded only when payment is due.

Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 87, *Leases*. This new GASB statement establishes a single model for lease accounting based on the foundational principal that leases are financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. It is effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The District is currently evaluating the impact of this new GASB statement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This new GASB statement establishes accounting requirements for interest cost incurred before the end of a construction period. It is effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The District is currently evaluating the impact of this new GASB statement.

GASB Statement No. 91, *Conduit Debt Obligations*. This new GASB statement defines conduit debt obligation and requires issuers to disclose information about the conduit debt obligations organized by type of commitment and improve comparability by removing the diversity in current practice. This statement also includes note disclosures that help inform users of the potential impact of commitments on financial resources. It is effective for reporting beginning after December 15, 2021. Earlier application is encouraged. The District is currently evaluating the impact of this new GASB statement.

GASB Statement No. 92, *Omnibus 2021*. This new GASB statement addresses a variety of topics including issues related to reinsurance recoveries and terminology used to refer to derivative instruments, intra-entity transfers, postemployment benefit arrangements, and the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition. It is effective for periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic. The District is currently evaluating the impact of this new GASB statement.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement removes interbank offered rate (IBOR) as an appropriate benchmark interest rate and identifies a Security Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap. The removal of LIBOR is effective for reporting periods ending after December 31, 2021. All other requirements are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The District is currently evaluating the impact of this new GASB statement.

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.

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 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 and Cash Equivalents

Cash and cash equivalents consist 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 essentially as a demand deposit where the District receives an allocation of its proportionate share of pooled earnings. The District's equity share of the Pool's net position is reported on the balance sheet as cash and cash equivalents and reflects the change in fair value of the corresponding investment securities. See Note 2 Deposits and Investments.

Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Property Taxation Note 3). Interest receivable consists of amounts earned on pooled 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, easement, 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.

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 acquisition value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Expenditures for maintenance and repairs are charged to expenses as incurred. It is the District's policy not to capitalize interest on construction of governmental capital assets.

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time.

As of December 31, 2021, the District had deferred outflows of resources relating to pension plans of \$46,969, which consist of contributions made subsequent to the measurement date and the District's proportionate share of deferred outflows related to those plans. Pension plan contributions made subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pension plans are amortized over the expected service lives of all employees provided with pensions through the plans. See Note 5 for more information on pension plans.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2021, the District had deferred inflows of resources of \$863,164 in the governmental fund balance sheet for unavailable property tax revenues. The District considers revenues to be unavailable if they are not collected within 60 days after year-end.

As of December 31, 2021, the District reported deferred inflows of resources related to pension plans of \$193,980 in the statement of financial position, which consist of the District's proportionate share of the pension plan deferred inflows. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pension plans are amortized over the average expected service lives of all employees provided with pensions through the plan. See Note 5 for more information on pension plans.

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, 2021, the District reported \$167,355,177 of net investment in capital assets and unrestricted net position of \$66,087,237.

Pensions

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

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*.

Nonspendable fund balances are amounts that cannot be spent because they are either in a nonspendable 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 nonspendable, restricted, committed or assigned in the general fund.

As of December 31, 2021, the District had nonspendable funds of \$4,000,000 advanced to King County for payment of reimbursable operating and capital expenditures, \$51,062,818 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, 2021 was \$2,672,577.

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.

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 law, the District's governing body has entered into a formal 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 as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County Finance Committee as defined in RCW 36.48.070. All investments are subject to written policies and procedures adopted by the EFC.

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, 2021, the District had unimpaired pooled investments of \$81,993,221.

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of inputs in valuing the District's investments as of December 31, 2021:

Investments at Fair Value Level	Fair Value 12/31/21	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)
Governmental Agencies	\$ 37,829,407	\$ -	\$ 37,829,407	\$ -
Commercial Paper	6,236,518	-	6,236,518	-
Corporate notes	2,297,665	-	2,297,665	-
U.S. Agency Mortgage-backed Securities	1,871	-	1,871	-
Treasury Securities	25,848,726	25,848,726	-	-
Subtotals	72,214,188	25,848,726	46,365,461	-
Investments measured at amortized costs (not subject to Fair Value Hierarchy)				
Repurchase Agreements	1,397,005			
State government Investment Pool	8,382,028			
Subtotal investments measured at cost	9,779,033			
Total investments in Investment Pool	\$ 81,993,221			

U.S. Treasury Securities are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agency Securities, Commercial Paper, Bank Corporate Notes and U.S. Agency Mortgage-backed Securities are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

Repurchase Agreements and State Government Investment Pool are overnight securities and are not subject to GASB Statement No. 72.

Impaired Investment Pool

The King County Executive Finance Committee approved the bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments.

For the bifurcation, three impaired commercial paper investments were placed into an impaired investment pool (Impaired Pool). The Impaired Pool holds one commercial paper asset (Victoria), in which the County accepted an exchange offer in 2009 and is receiving cash flows from the investment's underlying securities. For the other two commercial paper investments (Cheyne and Rhinebridge), the County accepted a cash-out option in 2008, based on the results of the separate restructuring auctions conducted by the designated "receiver" of each commercial paper asset.

As of December 31, 2021, all impaired commercial paper investments have completed enforcement events. The District's share of the impaired investment pool principal was \$768, and the fair value of these investments was \$486.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2021, the Pool's average duration was 1.2 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.

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, 2021, 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 14th. 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 taxes 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. \$58,483,390 was levied for 2021 and \$58,256,873 was collected during 2021, including delinquent taxes from previous years. The District had taxes receivable of \$1,115,511 as of December 31, 2021.

Tax Abatements

As of December 31, 2021, King County provides tax abatements through three programs – the Current Use Programs, Historic Preservation Program and the Single-family Dwelling Improvement Program. All of these programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. The tax abatements did not result in a reduction or loss of revenue because, pursuant to state law, these taxes were effectively reallocated to other property taxpayers. King County has not determined the District's share of abatements at this time.

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended December 31, 2021 were as follows:

	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 76,189,397	\$ 4,722,495	\$ -	\$ 80,911,892
Easements	21,984	-	-	21,984
Construction in progress	24,301,312	16,117,265	-	40,418,577
Total capital assets, not being depreciated	100,512,693	20,839,760	-	121,352,453
Capital assets, being depreciated:				
Levees and facilities	54,067,182	-	-	54,067,182
Machinery and equipment	27,689	-	-	27,689
Total capital assets, being depreciated	54,094,871	-	-	54,094,871
Less accumulated depreciation for:				
Levees and facilities	(6,269,128)	(1,802,239)	-	(8,071,367)
Machinery and equipment	(18,937)	(1,843)	-	(20,780)
Total accumulated depreciation	(6,288,065)	(1,804,082)	-	(8,092,147)
Total capital assets, being depreciated, net	47,806,806	(1,804,082)	-	46,002,724
Total capital assets, net	\$ 148,319,500	\$ 19,035,678	\$ -	\$ 167,355,178

Land is acquired in the name of the King County in accordance with the Inter-Local Agreement. As of December 31, 2021, the District reported a total amount of \$80,911,892 as land, which represents historical costs contributed by the District through property tax levied since the formation of the District. The Inter-local Agreement facilitates necessary transfers of land and other capital assets to the District by the King County. As of December 31, 2021, transfers have not taken place.

As of December 31, 2021, the District reported easements totaling \$21,984. This amount represents acquired rights of use over the property of others for the purposes of constructing levees and facilities outside the District's pre-existing right of way limits.

In addition, the District reported flood control construction in progress totaling \$40,418,577 at December 31, 2021. The amount represents capitalizable costs associated with asset-generated projects being developed that have been funded through the property taxes levied by the District. No depreciation

is calculated for construction in progress. As projects are completed, the related costs are reclassified as levees and facilities.

Total depreciation expense of \$1,804,082 was charged to the flood control function of the District in 2021.

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 18,135-
Pension assets	\$189,171
Deferred outflows of resources	\$ 46,969
Deferred inflows of resources	\$193,980
Pension expense/expenditures	\$(2,776)

State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977. The District had no employees participating in PERS Plan 1 in 2021.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021	-	-
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	Varies
Total	12.97%	7.90%
July – December 2021	-	-
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	Varies
Total	10.25%	6.36%

The District's actual PERS plan contributions were \$39,584 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the

valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- ▣ **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- ▣ **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- ▣ **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2021 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 2/3	\$(53,891)	\$(189,171)	\$(300,574)

Pension Plan Fiduciary Net Position

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

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a total pension liability of \$18,135 and a total pension asset of \$189,171 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1 UAAL	\$ 18,135
PERS 2/3	\$(189,171)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	-	\$ 18,135	\$ 18,135
PERS 2/3	-	\$(189,171) -	\$(189,171) -

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2021, the District recognized pension expense as follows:

	Pension Expense
PERS 2/3	\$(2,776)

Deferred Outflows of Resources and Deferred Inflows of Resources

As of December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS 1 UAAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 20,124
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ 5,306	\$ 20,124

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,189	\$ 2,319
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$158,103
Changes of assumptions	\$ 276	\$ 13,434
Changes in proportion and differences between contributions and proportionate share of contributions	\$23,102	\$ -
Contributions subsequent to the measurement date	\$ 9,096	\$ -
TOTAL	\$41,663	\$173,856

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 2/3
2022	\$(39,258)
2023	\$(36,418)
2024	\$(34,665)
2025	\$(37,729)
2026	\$ 3,473
Thereafter	\$ 3,307

NOTE 6 - 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 2021.

King County Flood Control District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability. The tables below reflect the Pool's SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence	\$500,000	\$600 million/Pool member \$1.2 billion/APIP	\$0

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
	APIP Aggregate		\$1.4 billion/APIP	
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.
- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

NOTE 7 - 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 \$54,515,765 to the District during 2021, and \$20,373,459 was due to the County as of December 31, 2021. The District has advanced \$4,000,000 to the County for prepayment of reimbursable costs.

In addition, an employee at King County Council (the Council) provides exclusively executive director services through October 2021, in addition to clerk's services provided to the District during all of 2021. The District was charged labor costs and overhead. The total expenses billed to the District by the Council was \$394,171. Also, the District reimburses any reimbursable expenditures paid on the behalf of the District to manage the District activities. At December 31, 2021, the District reported \$300,085 due to the Council.

**KING COUNTY FLOOD CONTROL ZONE DISTRICT
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Revised Budget	Actual	% of Budget	Remaining Balance
REVENUES					
Property taxes	\$ 58,403,522	\$ 58,403,522	\$ 58,117,266	100%	\$ 286,256
Other taxes			285,357		(285,357)
Investment income, net of investment expenses			669,729		(669,729)
Total revenue	58,403,522	58,403,522	59,072,352	101%	(668,830)
EXPENDITURES					
Administration and management	2,238,637	2,338,637	2,128,701	91%	209,936
Intergovernmental services	13,162,592	14,146,717	12,007,219	85%	2,139,498
Capital program expenditures	127,846,584	255,030,682	54,538,965	21%	200,491,717
Total expenditures	143,247,813	271,516,036	68,674,885	25%	\$ 202,841,151
Excess of revenues over expenditures	(84,844,291)	(213,112,514)	(9,602,533)		
Adjustment from budgetary basis to GAAP basis			(1,078,865)		
CHANGES IN FUND BALANCE	\$ (84,844,291)	\$ (213,112,514)	(10,681,398)		
FUND BALANCE, AS OF JANUARY 1, 2021			75,886,600		
FUND BALANCE, AS OF DECEMBER 31, 2021			\$ 65,205,202		
Elements of adjustment from budgetary basis to GAAP basis:					
Recognition of unrealized investment gain					\$ (1,078,865)
Adjustment from budgetary basis to GAAP basis					<u>\$ (1,078,865)</u>

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

KING COUNTY FLOOD CONTROL ZONE DISTRICT
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1 UAAL
As of June 30 2021
Last 10 Fiscal Years*

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employer's proportion of the net pension liability (asset)	%	0.001485%	0.00%	0.00%	0.00%	0.00%					
Employer's proportionate share of the net pension liability	\$	18,135	0	0	0	0					
TOTAL	\$										
Covered payroll	\$		0	0	0	0					
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%										
Plan fiduciary net position as a percentage of the total pension liability	%	0.001485%	0.00%	0.00%	0.00%	0.00%					

Notes to Schedule:

*First payroll issued in November 2020.

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

KING COUNTY FLOOD CONTROL ZONE DISTRICT
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30 2021
Last 10 Fiscal Years*

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employer's proportion of the net pension liability (asset)	%	0.001899%	0.00%	0.00%	0.00%	0.00%					
Employer's proportionate share of the net pension liability (asset)	\$	(189,171)	0	0	0	0					
TOTAL	\$										
Covered payroll	\$	227,180	0	0	0	0					
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	%	-83.2692%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	%	0%	0.00%	0.00%	0.00%	0.00%					

Notes to Schedule:

*First payroll issued in November 2020.

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

KING COUNTY FLOOD CONTROL ZONE DISTRICT
Schedule of Employer Contributions
PERS 1 UAAL
For the year ended June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily or contractually required contributions	\$ 11,064	0	0	0	0					
Contributions in relation to the statutorily or contractually required contributions	\$ 11,064	0	0	0	0					
Contribution deficiency (excess)	\$ 0	0	0	0	0					
Covered payroll	\$ 227,180	0	0	0	0					
Contributions as a percentage of covered payroll	% 4.87%	0.00%	0.00%	0.00%	0.00%					

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

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

KING COUNTY FLOOD CONTROL ZONE DISTRICT
Schedule of Employer Contributions
PERS 2/3
For the year ended June 30, 2021
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Statutorily or contractually required contributions</u>	\$ 17,993	0	0	0	0					
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ 17,993	0	0	0	0					
<u>Contribution deficiency (excess)</u>	\$ -	0	0	0	0					
<u>Covered payroll</u>	\$ 227,180	26,307	0	0	0					
<u>Contributions as a percentage of covered payroll</u>	% 7.92%	0.00%	0.00%	0.00%	0.00%					

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

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