



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Spokane

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

Published September 24, 2018

Report No. 1022245





Office of the Washington State Auditor
Pat McCarthy

September 24, 2018

Mayor and City Council
City of Spokane
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Spokane's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Spokane January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
66.458	Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,202,306.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2017-001 and 2017-002.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Spokane

January 1, 2017 through December 31, 2017

2017-001 The City did not have adequate internal controls in place to ensure compliance with federal suspension and debarment requirements.

CFDA Number and Title:	20.205 – Highway Planning and Construction
Federal Grantor Name:	U.S. Department of Transportation
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Washington State Department of Transportation
Pass-through Award/Contract Number:	Various
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2017, the City spent \$7,327,319 in federal grant funds for 21 projects funded through the Washington State Department of Transportation.

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

The City is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any covered transactions it enters into with a subcontractor. The City is required to inform primary contractors of this responsibility.

The City's controls were not effective to ensure it complied with federal suspension and debarment requirements for all contracts of \$25,000 or more. Additionally, the

City did not include language in its contracts informing the primary contractor of its responsibility to check the status of subcontractors.

We consider this control deficiency to be a material weakness.

This issue was reported as a finding in the prior audit as finding 2016-002.

Cause of Condition

After receiving the finding in the prior audit, the City began implementing changes to its control processes and reviewed the EPLS for all contracts paid with federal funds. However, the EPLS reviews were not performed before the first payment to the contractor and thus did not comply with federal regulations.

Effect of Condition and Questioned Costs

Of the six contracts of \$25,000 or more that the City awarded, it did not obtain a written certification, insert a clause into the contract or review EPLS to verify the contractors were not suspended or debarred before entering into one of the contracts. The City paid the one contractor \$97,005 with federal program funds during 2017.

Without adequate internal controls over suspension and debarment, the City cannot ensure federal funds are paid to contractors that are eligible to participate in federal programs. Any payment of program funds to a contractor or subcontractor that has been suspended or debarred would be unallowable and subject to recovery by the funding agency.

The City subsequently verified that the contractor was not suspended or debarred. Therefore, we are not questioning these payments.

Recommendation

We recommend the City ensure staff follow established internal controls so that all contractors paid \$25,000 or more using federal funds are not suspended or debarred from participating in federal programs before entering into contracts.

City's Response

The City did not contract with any parties who were debarred or suspended from doing business with the federal government, and understands the importance of verifying it is not contracting with or making subawards to debarred or suspended parties. During the audited period, the City implemented a robust process to verify and document its contractors and consultants were neither debarred nor suspended. This process included adding required certification language to all City contracts, as well as a review of open contracts in order to document compliance. Unfortunately, several of these open contracts had been executed in prior periods or prior to the implementation of this process. While these contracts were reviewed and the compliant status of providers was verified and documented during the audit period, this documentation failed to meet the requirement prior to first payment.

The City extends our appreciation to the State Auditor's Office for assisting in identifying deficiencies in our procedures. We are dedicated to executing contracts that are compliant with federal requirements and are confident that the implemented process will ensure compliance with suspension and debarment certification requirements.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue and thank the City for its communication, cooperation and assistance during the audit. We will review the condition during our next audit.

Applicable Laws and Regulations

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Spokane

January 1, 2017 through December 31, 2017

2017-002 The City did not have adequate internal controls in place to ensure compliance with federal suspension and debarment requirements.

CFDA Number and Title:	66.458 – Capitalization Grants for Clean Water State Revolving Funds
Federal Grantor Name:	Environmental Protection Agency
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Washington State Department of Ecology
Pass-through Award/Contract Number:	WQC-2017-Spokane-00018, WQC-2017-Spokane-00020, WQC-2018-Spokane-00016, WQC-Spokane-00123
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2017, the City spent \$17,728,240 of federal loan funds in its Clean Water State Revolving Fund program. This program is intended to construct waste water treatment facilities that meet the Clean Water Act requirements, protect estuaries and provide continuing financing sources to maintain water quality. The City was awarded the funds through four loans for its clean water projects.

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

The City is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any

covered transactions it enters into with a subcontractor. The City must inform primary contractors of this responsibility.

The City's controls were not effective to ensure it complied with federal suspension and debarment requirements for all contracts of \$25,000 or more. Additionally, the City did not include language in its contracts informing the primary contractor of its responsibility to check the status of subcontractors.

We consider this control deficiency to be a material weakness.

This issue was reported as a finding in the prior audit as finding 2016-003.

Cause of Condition

After receiving the finding in the prior audit, the City began implementing changes to its control processes and reviewed the EPLS for all contracts paid with federal funds. However, the EPLS reviews were not performed before the first payment to the contractor and thus did not comply with federal regulations.

Effect of Condition and Questioned Costs

Of the 15 contracts of \$25,000 or more that the City awarded, it did not obtain a written certification, insert a clause into the contract or review EPLS to verify the contractors were not suspended or debarred before entering into 10 of the contracts. The City paid the 10 contractors a combined \$186,470 with federal program funds during 2017.

Without adequate internal controls over suspension and debarment, the City cannot ensure federal funds are paid to contractors that are eligible to participate in federal programs. Any payment of program funds to a contractor or subcontractor that has been suspended or debarred would be unallowable and subject to recovery by the funding agency.

The City subsequently verified the contractors were not suspended or debarred. Therefore, we are not questioning these payments.

Recommendation

We recommend the City ensure staff follow established internal controls so that all contractors paid \$25,000 or more using federal funds are not suspended or debarred from participating in federal programs before entering into contracts.

City's Response

The City did not contract with any parties who were debarred or suspended from doing business with the federal government, and understands the importance of

verifying it is not contracting with or making subawards to debarred or suspended parties. During the audited period, the City implemented a robust process to verify and document its contractors and consultants were neither debarred nor suspended. This process included adding required certification language to all City contracts, as well as a review of open contracts in order to document compliance. Unfortunately, several of these open contracts had been executed in prior periods or prior to the implementation of this process. While these contracts were reviewed and the compliant status of providers was verified and documented during the audit period, this documentation failed to meet the requirement prior to first payment.

The City extends our appreciation to the State Auditor's Office for assisting in identifying deficiencies in our procedures. We are dedicated to executing contracts that are compliant with federal requirements and are confident that the implemented process will ensure compliance with suspension and debarment certification requirements.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue and thank the City for its communication, cooperation and assistance during the audit. We will review the condition during our next audit.

Applicable Laws and Regulations

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.



Accounting Department

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Spokane

January 1, 2017 through December 31, 2017

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

Audit Period: January 1, 2016 through December 31, 2016	Report Ref. No.: 1019601	Finding Ref. No.: 2016-001
Finding Caption: The City did not have adequate internal controls in place to ensure accurate reporting of its financial statements or the Schedule of Expenditures of Federal Awards		
Background: Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness. <ul style="list-style-type: none">• The City did not have a process to ensure sufficient research was performed to correctly and timely implement new GASB standards. GASB statement No. 72 Fair Value Measurement and Application affected accounting and financial reporting for investments and was not properly implemented.• The City did not dedicate the necessary time and resources to properly report financial statement balances as required by existing GASB standards, including:<ul style="list-style-type: none">• Statement No. 39 – Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14• Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations• Statement No. 63 – Financial Reporting of Deferred outflows of Resources Deferred Inflows of Resources and Net Position• Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27• The City did not have adequate controls in place to ensure the classification of cash and cash equivalents met the definition of short-term or highly liquid.		

- City controls intended to ensure the financial statements were prepared in accordance with GAAP did not include a process to ensure the collectability of housing loans reported as notes/contracts receivable.
- City controls intended to ensure fund statement adjustments to full GAAP government-wide presentation did not include a specific process for property taxes which resulted in reporting errors.
- Although the City has procedures to perform a review of the financial statements and required schedules, the review was not adequate to detect and correct errors before the audit.
- Then City did not have adequate processes in place to ensure that federal funded loan programs were properly reported on the SEFA.

Status of Corrective Action: (check one)

☒ Fully
Corrected

☐ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

Using the 2016 Audit Finding the City made sure to address each bullet in the current year.

New GASB Implementation

The City utilized a checklist for Accounting Standards Changes from the State Auditor's website for every new GASB. Each GASB was printed, read through to see if it was applicable to the City. If - was applicable, the standard was then implemented per the guide.

- *Statement No. 72 Fair Value Measurement and Application affected accounting and financial reporting for investments all corrections were made with the 2016 Audit. Any new standards that would come out in future years the City would use the Checklist for Accounting Standards Changes to implement new standards.*
- *Statement No. 39 Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14 was superseded by a new standard issued Statement No.80 Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14. Utilizing the Checklist for Accounting Standards Changes each component unit was evaluated to determine its proper classification and disclosure requirements and was disclosed according to the guidance provided.*
- *Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations, all items disclosed in 2016 still remained. Inquiries of legal staff and planning staff did not disclose any new obligations to report. If there were new obligations the implementation guide would have been properly applied.*
- *Statement No. 63 Financial Reporting of Deferred outflows of Resources Deferred Inflows of Resources and Net Position, unspent bond proceeds by nature are recorded as a liability and are restricted therefore no entry was made to present them as restricted net position.*

- *Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 the City reported the net change in proportional share for SERS and properly reported pension information provided by the actuary*

Internal Controls

- *The City has a had been in practice of keeping cash invested in the Spokane Investment Pool (Invested Treasurer’s Cash) to be reported as cash. The City developed an allocation to adjust year end cash to proportionately show the Invested Treasurer’s Cash as Equity in pooled investments, thus reporting cash at 12/31 per equal to the City Wide Bank reconciliation as cash on hand.*
- *The City has developed a year end process to inventory all Housing Loan Program notes and contracts receivable and balance the loan system to the Financial System. During this process loan balances are identified as forgivable and the allowance for uncollectable accounts is adjusted accordingly.*
- *The City noted on the Government Wide worksheet in red that property taxes are recorded at the amount levied and a year-end entry was completed.*
- *The City hired a third party CPA firm to perform a review of the 2017 financial statements.*
- *The City reviewed project expenditures and assigned a unique program number for Federally Funded projects. The City identified expenditures that could potentially be reimbursed by federal funds and reported these on the SEFA so that in the succeeding year the City would not have to recapture prior year’s expenditures as federal expenditures on the SEFA.*

The City continues to strive for excellence in financial reporting and will continue to provide training for key financial statement preparation positions.

Audit Period: January 1, 2016 through December 31, 2016	Report Ref. No.: 1019601	Finding Ref. No.: 2016-002	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: Highway Planning and Construction, U.S. Department of Transportation		Pass-Through Agency Name: WA State Department of Transportation	
Finding Caption: The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.			

Background:

During 2016, the City spent \$5,736,131 in federal grant funds in more than 20 projects awarded through the Washington State Department of Transportation.

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

The City is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any covered transactions it enters into with a subcontractor. The City is required to inform primary contractors of this responsibility.

The City awarded four professional services contracts of \$25,000 or more during fiscal year 2016 and did not include a written certification, an inserted contract clause or EPLS review to verify that the contractors were not suspended or debarred before the City entered into the contract.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance.

Status of Corrective Action: (check one)

☐ Fully
Corrected

☒ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

This is fully corrected mid-year 2017. Contract language and exhibit was added to all contracts to have a certification regarding debarment, suspension, ineligibility and voluntary exclusion to be filled out by the contractor return to be part of the contract.

Audit Period: January 1, 2016 through December 31, 2016	Report Reference No.: 1019601	Finding Ref. No.: 2016-003	CFDA Number(s): 66.458
Federal Program Name and Granting Agency: Capitalization Grants for Clean Water State Revolving Funds, Environmental Protection Agency		Pass-Through Agency Name: WA State Department of Ecology	
Finding Caption: The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.			

Background:

During fiscal year 2016, the City spent \$9,098,037 of federal loan funds in its Clean Water State Revolving Fund program. This program is intended to construct waste water treatment facilities that meet the Clean Water Act requirements, protect estuaries and provide continuing financing sources to maintain water quality. The City was awarded the funds through 15 loans for the City's clean water projects.

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

The City is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any covered transactions it enters into with a subcontractor. The City is required to inform primary contractors of this responsibility.

The City awarded six contracts of \$25,000 or more during fiscal year 2016 that did not include a written certification, an inserted contract clause or EPLS review to verify that the contractors were not suspended or debarred before the City entered into the contract. Additionally, these contracts did not include language to inform the primary contractor of its responsibility to check the status of subcontractors. The City awarded the contracts to one construction contractor and five professional service companies. We subsequently reviewed EPLS and found the contractors were not suspended or debarred.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance.

Status of Corrective Action: (check one)

☐ Fully
Corrected

☒ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

This is fully corrected mid-year 2017. Contract language and exhibit was added to all contracts to have a certification regarding debarment, suspension, ineligibility and voluntary exclusion to be filled out by the contractor return to be part of the contract.

Audit Period: January 1, 2016 through December 31, 2016	Report Ref. No.: 1019601	Finding Ref. No.: 2016-004	CFDA Number(s): 66.468
Federal Program Name and Granting Agency: Capitalization Grants for Drinking Water State Revolving Funds, Environmental Protection Agency		Pass-Through Agency Name: WA State Public Works Board	
Finding Caption: The City did not adequate internal controls to ensure compliance with federal suspension and debarment requirements.			
Background: <p>During 2016, the City spent \$1,686,187 in federal loan funds. This program is intended to help public water systems finance the infrastructure costs needed to achieve and maintain compliance with Safe Water Drinking Act requirements. The City was awarded the funds through a loan used for community drinking water infrastructure projects.</p> <p>Federal regulations prohibit grant recipients from contracting with or making sub-awards to parties suspended or debarred from doing business with the federal government. The City is required to verify that all subcontractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. The verification may be accomplished by obtaining a written certification or inserting a clause into the contract. Alternatively, the City may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.</p> <p>The City is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any covered transactions it enters into with a subcontractor. The City is required to inform primary contractors of this responsibility.</p> <p>The City awarded two professional service contracts of \$25,000 or more during fiscal year 2016 that did not include a written certification, an inserted contract clause or EPLS review to verify that the contractors were not suspended or debarred before the City entered into the contract. Additionally, the contracts did not include language to inform the primary contractor of its responsibility to check the status of subcontractors.</p> <p>We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance.</p>			
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input checked="" type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>			

Corrective Action Taken:

This is fully corrected. Contract language and exhibit was added to all contracts to have a certification regarding debarment, suspension, ineligibility and voluntary exclusion to be filled out by the contractor return to be part of the contract.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**City of Spokane
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Spokane
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 17, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Spokane Employees' Retirement System (SERS), a Pension and Other Post-Employment Benefit fiduciary fund of the City, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the SERS were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the SERS. As discussed in Note 1 to the financial statements, during the year ended December 31, 2017, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are

appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

In addition, we noted certain matters that we will report to the management of the City in a separate letter dated September 17, 2018.

COMPLIANCE AND OTHER MATTERS

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 17, 2018

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

City of Spokane
January 1, 2017 through December 31, 2017

Mayor and City Council
City of Spokane
Spokane, Washington

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2017-001 and 2017-002 to be material weaknesses.

City's Response to Findings

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 17, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Spokane January 1, 2017 through December 31, 2017

Mayor and City Council
City of Spokane
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 30.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Spokane Employees' Retirement System (SERS), which represents 48 percent, 59 percent and 22 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SERS, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are

free from material misstatement. The financial statements of the SERS were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The Schedule for General Fund Accounts Balance Sheet, Schedule of General Fund Accounts Statement of Revenues, Expenditures, and Changes in Fund Balances and Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual for each fund included in the General Fund Accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

September 17, 2018

FINANCIAL SECTION

City of Spokane January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental
Funds – 2017

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance to the Statement of Activities – Governmental Funds – 2017

Statement of Net Position – Proprietary Funds – 2017

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

Statement of Cash Flows – Proprietary Funds – 2017

Statement of Fiduciary Net Position – Fiduciary Funds – 2017

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Changes in Net Pension Liability and Related Ratios – SERS, Firefighters'
Pension and Police Pension – 2017

Schedule of City's Proportionate Share of the Net Pension Liability (Asset) – LEOFF 1
and LEOFF 2 – 2017

Schedule of Employer Contributions – SERS, Firefighters’ Pension, Police Pension,
LEOFF 1 and LEOFF 2 – 2017
Schedule of Investment Returns – Spokane Employees Retirement System (SERS), Fire
and Police – 2017
Schedule of Changes in the City’s Firefighters’ Pension Net OPEB Liability and Related
Ratios – 2017
Schedule of Changes in the City’s Police Pension Net OPEB Liability and Related Ratios
– 2017
Schedule of Changes in the City’s Retiree Medical Plan 2 Total OPEB Liability and
Related Ratios – 2017
Other Postemployment Benefit – Schedule of Employer Contributions – Firefighters’
Pension and Police Pension – 2017
Notes to the Required Supplementary Information – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017
Schedule for General Fund Accounts – Balance Sheet – 2017
Schedule of General Fund Accounts – Schedule of Revenues, Expenditures, and Changes
in Fund Balances – 2017
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– each fund included in the General Fund Accounts – 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Spokane, Washington (the City)'s annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2017. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$2.0 billion (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$2.0 billion includes property, equipment and infrastructure, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$71.6 million is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$30.1) million became a negative amount this year due to the implementation of GASB 75 (as a change in accounting principles) that recorded the net post-employment benefits other than pensions (an increase in liabilities) for the City's business and governmental type activities. The unrestricted net position represents the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds reported a total ending fund balance of \$184.4 million this year, a decrease of \$5 million from the prior year with the majority of the decrease related to a reduction in the amount restricted for capital projects underway, as those funds are being spent on capital projects. Revenues increased by \$30.3 million overall. Tax revenue increased by \$11 million. Investment earnings were increased by \$13.5 million due to a large recapture in the market valuation of securities held in the investment portfolio. Intergovernmental revenue, licenses and permits, charges for service, fines and miscellaneous revenues increased by \$5.8 million. Other financing sources decreased by \$ 0.6 million. This last category of funding, which includes bond proceeds, sale of assets, and transfers in, contains revenues that are often not normal ongoing revenues, but rather occur only as necessary in any particular year. In 2015, this amount reflected the activities of the \$60 million park bond.

Taxes	\$11.0 million
Licenses & Permits	\$ 0.2 million
Intergovernmental	\$ 7.4 million
Charges for Service	\$ 1.4 million
Fines & Forfeitures	\$(0.9) million
Miscellaneous	\$(2.3) million
Investment earnings	\$13.5 million
Other Financing Sources	\$(0.6) million

- At the end of the current fiscal year, the fund balance for the General Fund totaled \$48.3 million, excluding the nonspendable and restricted categories, which is 28.9% of General Fund expenditures excluding transfers.
- Overall, the City maintained its strong financial position in 2017, and is continuing to maintain a stable financial outlook, despite ongoing budgetary pressures related to the slow economic recovery.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by property, sales and utility taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, transportation, economic environment, social services, and culture and recreation. Business-type activities include the utility services, golf courses, and the building services funds. The internal service funds provide services to other funds within the City are reported in governmental activities at the government-wide financial reporting level.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The Schedule of Revenues, Expenditures and Changes in Fund Balance budgetary comparisons (budget to actual) are included in the Required Supplementary Information for the major governmental funds. These schedules demonstrate compliance with the City's adopted budget and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City proprietary funds are classified as either enterprise funds or internal service funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The internal service funds provide services to other funds of the City.

Fiduciary funds include five single-employer defined benefit pension plans for City employees as well as various agency funds. The City reports these funds however they are not available for City use.

Notes To The Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Financial Analysis of the City as a Whole

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$2,067.4 million as shown below.

	Governmental Activities		Business-Type Activities		Total	
Summary of Net Position (in thousands)	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	284,188	265,483	327,838	372,612	612,026	638,095
Capital assets	1,563,379	1,537,904	759,233	697,726	2,322,612	2,235,630
Total assets	1,847,567	1,803,387	1,087,071	1,070,338	2,934,638	2,873,725
DEFERRED OUTFLOWS	30,250	31,977	18,048	19,041	48,298	51,018
Total assets + deferred outflows	1,877,817	1,835,364	1,105,119	1,089,379	2,982,936	2,924,743
LIABILITIES						
Current liabilities	24,985	22,450	13,706	11,708	38,691	34,158
Long term liabilities	482,059	404,589	367,361	356,221	849,420	760,810
Total liabilities	507,044	427,039	381,067	367,929	888,111	794,968
DEFERRED INFLOWS	22,299	4,471	5,135	8,974	27,434	13,445
Total liabilities + deferred inflows	529,343	431,510	386,202	376,903	915,545	808,413
NET POSITION						
Net investment in capital assets	1,417,656	1,410,134	608,260	625,227	2,025,916	2,035,361
Restricted	71,617	66,069	-	-	71,617	66,069
Unrestricted	(140,799)	(72,348)	110,657	87,249	(30,142)	14,901
Total net position	1,348,474	1,403,855	718,917	712,476	2,067,391	2,116,331

The City continues to maintain a healthy current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 11.4 and 23.9 for business type activities. For the City overall, the current ratio is 15.8. We consider these ratios to be very strong.

Governmental Activities

Net position decreased by \$55.4 million for governmental activities and is primarily attributable to implementation of GASB 75 as a change in accounting principles that recorded net post-employment benefits other than pensions liabilities (increase in liabilities.)

Business-Type Activities

The \$6.4 million increase in business activities' net position is primarily attributable to increased revenues generated by the city's enterprise funds, especially in the sewer/water utility.

It should be noted that 105.1% of the governmental activities' net position is related to the net investment in capital assets. The City uses these capital assets to provide services to its citizens. With business-type activities, the City has committed 84.6% of its net position on capital. Capital assets in the business-type activities primarily provide utility services, but they also generate revenues for these funds. The net investment in capital assets makes up 98% of the City's total net position.

The following page provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
Change in Net Position (in thousands)	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	38,290	39,232	221,997	206,592	260,287	245,824
Operating grants and contributions	16,048	12,355	102	143	16,150	12,498
Capital grants and contributions	18,008	10,281	1,322	8,982	19,330	19,263
General revenues						
Taxes	211,065	199,491		-	211,065	199,491
Disposition of fixed assets	-	-		-	-	-
Interest and investment Earnings	11,911	(1,033)	496	264	12,406	(769)
Total revenues	295,323	260,326	223,917	215,981	519,239	476,307
EXPENSES						
General government	(34,806)	(29,485)	-	-	(34,805)	(29,485)
Judicial	(4,796)	(4,718)	-	-	(4,796)	(4,718)
Public safety	(109,266)	(121,662)	-	-	(109,266)	(121,662)
Transportation	(54,677)	(48,962)	-	-	(54,677)	(48,962)
Economic environment	(13,685)	(12,696)	-	-	(13,685)	(12,696)
Social services	(10,503)	(9,563)	-	-	(10,503)	(9,563)
Culture and recreation	(30,998)	(31,588)	-	-	(30,998)	(31,588)
Interest on long term debt	(7,189)	(7,938)	-	-	(7,189)	(7,938)
Water/Sewer	-	-	(120,807)	(119,550)	(120,807)	(119,550)
Solid Waste	-	-	(78,803)	(75,372)	(78,803)	(75,372)
Other business activities	-	-	(10,098)	(10,825)	(10,098)	(10,825)
Total expenses	(265,919)	(266,612)	(209,707)	(205,747)	(475,625)	(472,359)

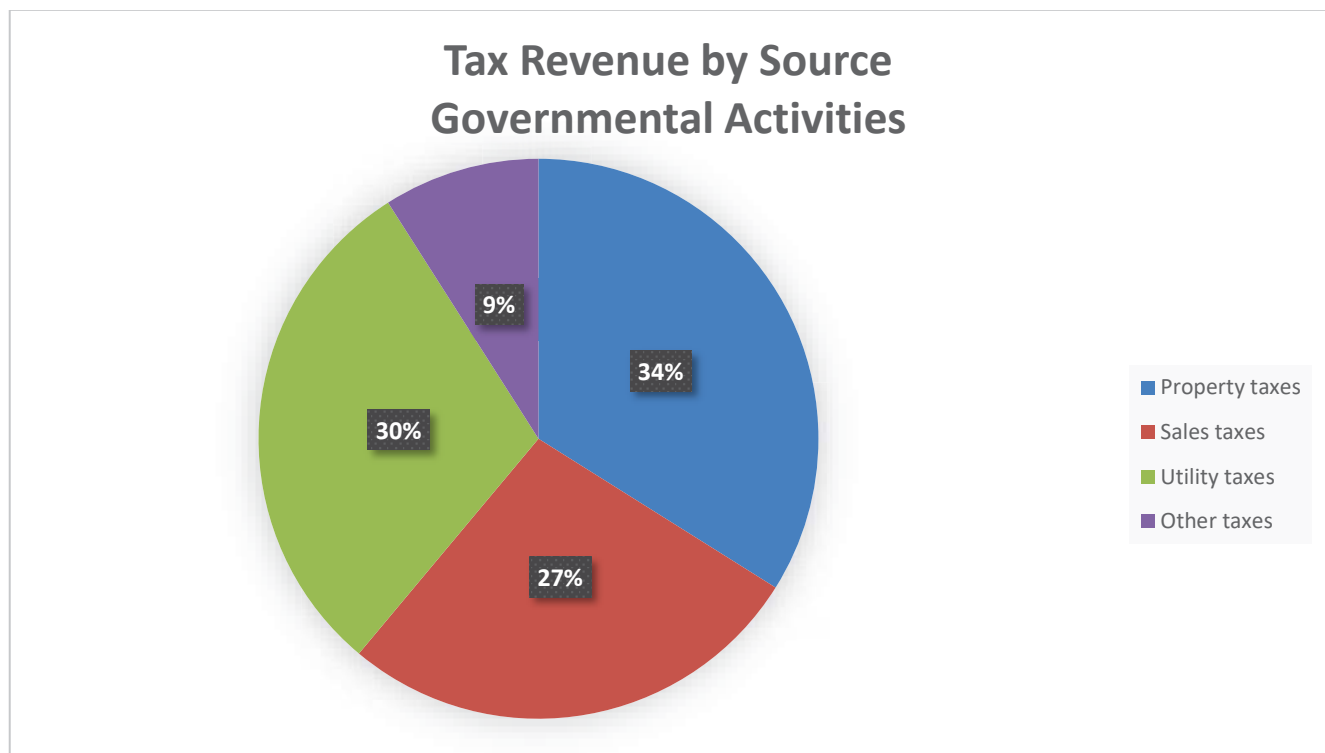
Table continued from previous page

Excess (deficiency) of revenues over expenses before contributions & transfers	29,404	(6,286)	14,209	10,234	43,614	3,948
Transfers	5,070	62	(5,070)	(62)	-	-
Increase (decrease) in net position	34,474	(6,224)	9,139	10,172	43,614	3,948
Prior period adjustment	3,716	(10,560)	(356)	(424)	3,360	(10,984)
Change in accounting principle (GASB 75)	(93,571)	-	(2,343)	-	(95,914)	-
Net Position-January 1	1,403,855	1,420,639	712,476	702,728	2,116,331	2,123,367
Net Position-December 31	1,348,474	1,403,855	718,917	712,476	2,067,392	2,116,331

GOVERNMENTAL REVENUES

The City is heavily reliant on three types of taxes to support governmental operations—more than 71% of the governmental activities revenue is derived from taxes. Charges for services represented 13% of these revenues, grants and contributions represented 12% and interest earnings made up the remaining 4%.

A breakdown of tax revenue is shown below.

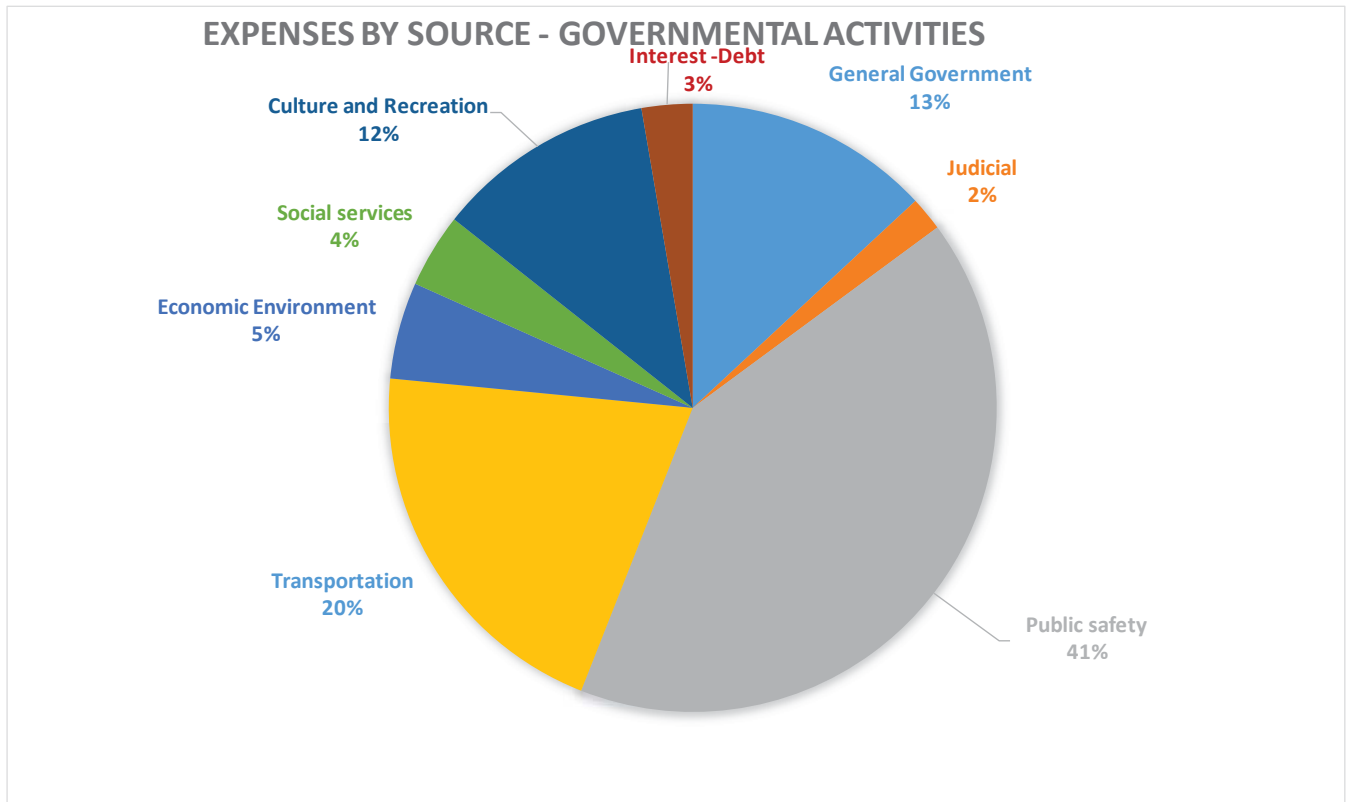


For governmental activities, program revenues cover approximately 26.2% of governmental operating expenses. This means that the government's taxpayers and the City's other general revenues cover 73.8% of the

governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

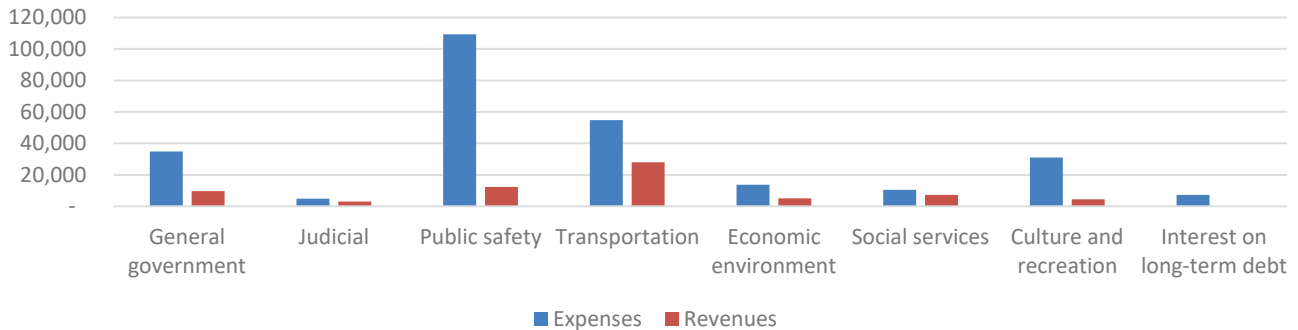
GOVERNMENTAL FUNCTIONAL EXPENSES

Public safety continues to be a major priority of the City followed by transportation (streets) and culture and recreation (parks and libraries). At year-end, the allocation by program function is as follows:



The following chart presents the revenues and expenses of each of the City's programs. This net cost illustrates the financial burden that is placed on the City's taxpayers by each of these functions.

Program Revenues & Expenses: Governmental Activities



Program revenues did not cover the program expenses in any function in 2017 or in any year prior to 2017, as these expenditures by the city benefit all city residents and businesses.

BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

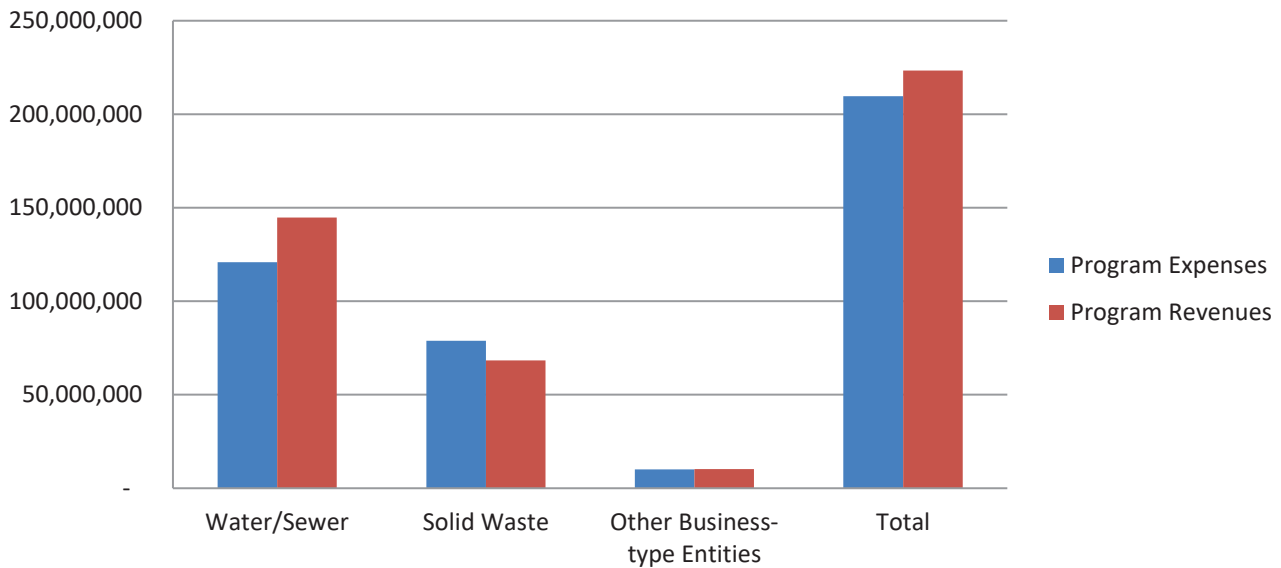
For all enterprise funds, the City reports a current ratio of 9.4, which is a healthy ratio. The business-type activities report capitalized assets of \$759.2 million, which provide a variety of services to the citizens of Spokane as well as some populations outside the City limits.

The business-type activities report \$97.4 million in unrestricted net position, which provide these funds with adequate resources to maintain service levels and invest in future infrastructure requirements.

The operating revenues for the City's four enterprise funds increased by \$8 million or an increase of 3.9% over the prior year while operating expenses increased by \$8.3 million or 4.2% over 2016. As a result, net operating income was \$5.7 million compared to \$6.1 million in 2016. All enterprise funds except the Solid Waste fund experienced net profit in 2017.

The chart below presents the revenues and expenses of each of the City's business-type activities. This net cost illustrates whether revenues are sufficient to meet current expenses.

Program Revenues and Expenses: Business-Type Activities

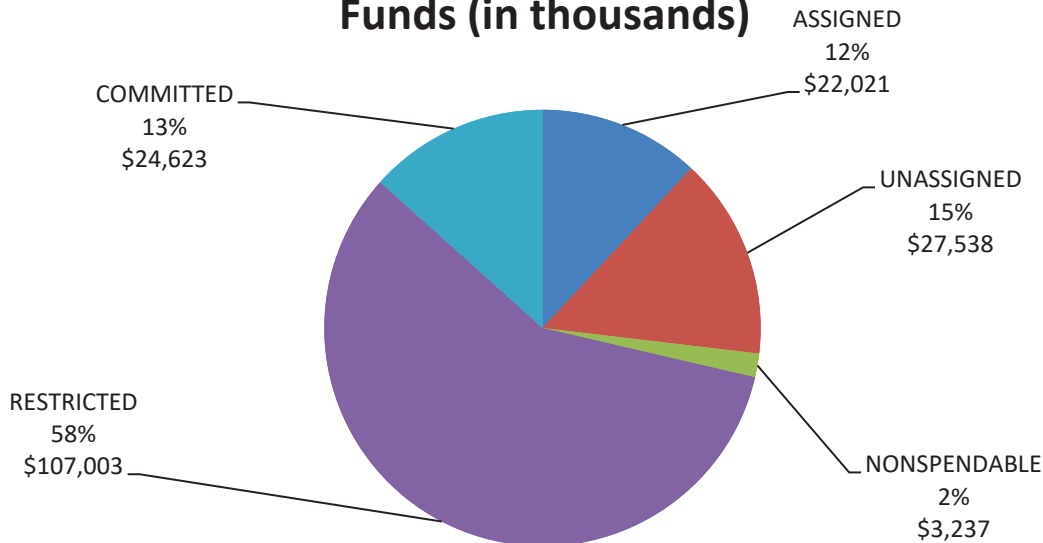


Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balance of \$184.4 million. Of this total, \$22.0 million is assigned and \$27.5 million is unassigned. This unassigned amount represents approximately 15% of the total fund balance, and this constitutes a fund balance that is accessible to meet the City's needs. The remainder of the governmental funds' fund balance includes \$3.2 million "not in spendable form" for items that are not expected to be converted to near-term cash such as internal loans; \$107 million restricted by external parties, including grantors and creditors, and \$24.6 million committed by the City's elected officials for specific purposes.

Breakdown of 2017 Fund Balance: Governmental Funds (in thousands)



Major Governmental Funds

The **General Fund** is the City's primary operating fund and the largest source of day-to-day service delivery. Pursuant to the implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City has combined several special revenue funds with the general fund for financial reporting purposes. A schedule of the funds included in the General Fund information is included as a supplemental schedule. The fund balance of the General Fund increased by \$10.1 million in 2017.

Committed, assigned and unassigned fund balance in the General Fund was \$48.4 million, which as a percentage of expenditures was 28.4% of annual operations, compared with 24% at the end of 2016. The General Fund reserves are still considered adequate, and provide the City's management with the ability to effectively manage the economic slowdown and budgetary challenges that are facing many businesses and governments at this time. During the strong economic years in the middle of the previous decade, the City's management and elected officials committed to building a robust reserve to ensure the long-term financial health of the General Fund, and the fund balance at the end of 2017 reflects the results of this commitment. The steps taken to achieve this result and how the reserve has been managed during the current economic situation are discussed in the *Budgetary Highlights* section of this analysis.

The Proprietary Funds

The City reports four primary enterprise funds, two of which are considered major funds. These two funds provide the utility services of water/sewer and solid waste to the citizens of Spokane. The City also maintains ten internal service funds.

The **Water/Sewer Fund** - The water/sewer fund reports net position of \$642.1 million, with a \$535.2 million net investment in capital assets (i.e., the book value of the capital assets less related debt). The current ratio for this fund is 9.7, which provides this fund with adequate resources to cover cash flow issues.

The water/sewer fund reported operating income of \$19.0 million. The City's management and elected officials are strategically balancing the amount of utility expenses that the citizens of Spokane can afford with the need to maintain service delivery, maintain and improve the utility's infrastructure, and provide for growth. Currently, this

involves setting utility rate increases to be consistent with the consumer price index and aggressively managing operating expenses. The aggressive management of operating expenses allows for operating revenues to be directed towards investments in the utility's infrastructure. The sewer system is subject to regulatory requirements that will require significant capital improvements over the next several years. Part of the 2017 operating income will be directed towards those regulatory requirements in the coming years.

The **Solid Waste Fund** – The solid waste fund reports net position of \$61.6 million. The net investment in capital assets (i.e., the book value of the capital assets less related debt) is \$67.2 million with the remainder being unrestricted net position. The current ratio for this fund is 9.2, which provides this fund with adequate resources to cover cash flow requirements.

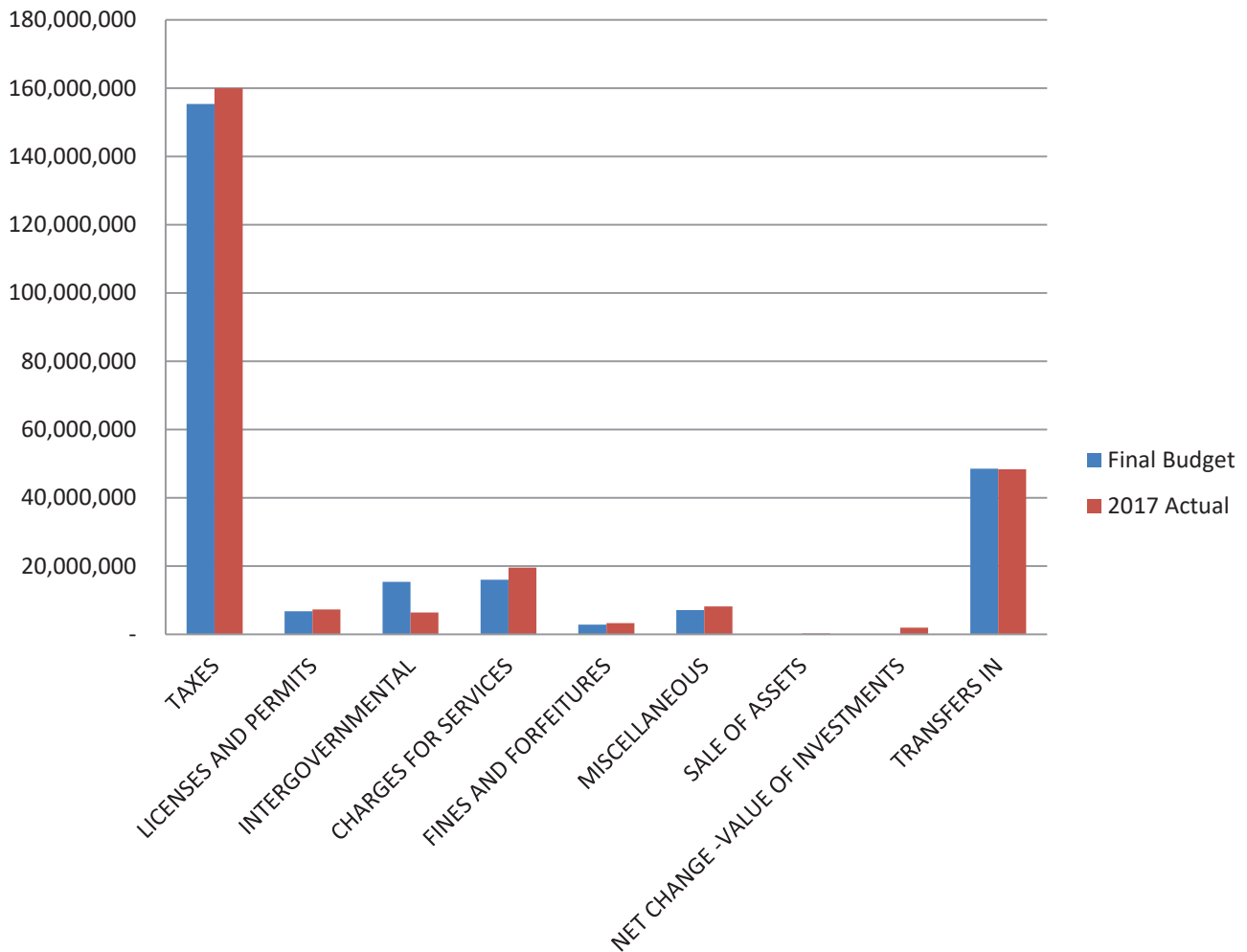
The solid waste fund reported an operating loss of \$13.4 million. Depreciation expense was \$10.7 million for the Solid Waste Fund, which accounted for 80% of its operating loss. It is a fact that the rate revenue increases have not been sufficient to cover all of the current operating expenses of the Department, including depreciation.

Budgetary Highlights

The **General Fund** – In 2017, the original General Fund Revenue budget (excluding transfers and other financing sources) was \$15.4 million more than the 2016 actual results. In addition, the 2017 original expenditure budget (excluding transfers and other financing uses) was \$6.7 million more than the 2016 actual results. There was an unfavorable budget variance in intergovernmental revenues although this was more than offset by the favorable budget variance in taxes, charges for services and miscellaneous. As discussed earlier for governmental funds as a whole, investment earnings for the General Fund have increased by \$2 million due to a large gain in the market valuation of securities held in the investment portfolio. This unrealized gain is a recovery of in past years as the individual securities mature since the city's policy is to hold its investment securities to maturity.

For the past several years, the City has strived to develop a budget that limits expenditures to anticipated revenue for the current year. The City Council amended both the revenue and expenditure budgets during 2017; the amendments resulted in a 0.6% change between the original and final budget for revenues, and a 2.0% change for expenditures.

General Fund 2017 Revenues Final Budget vs Actual

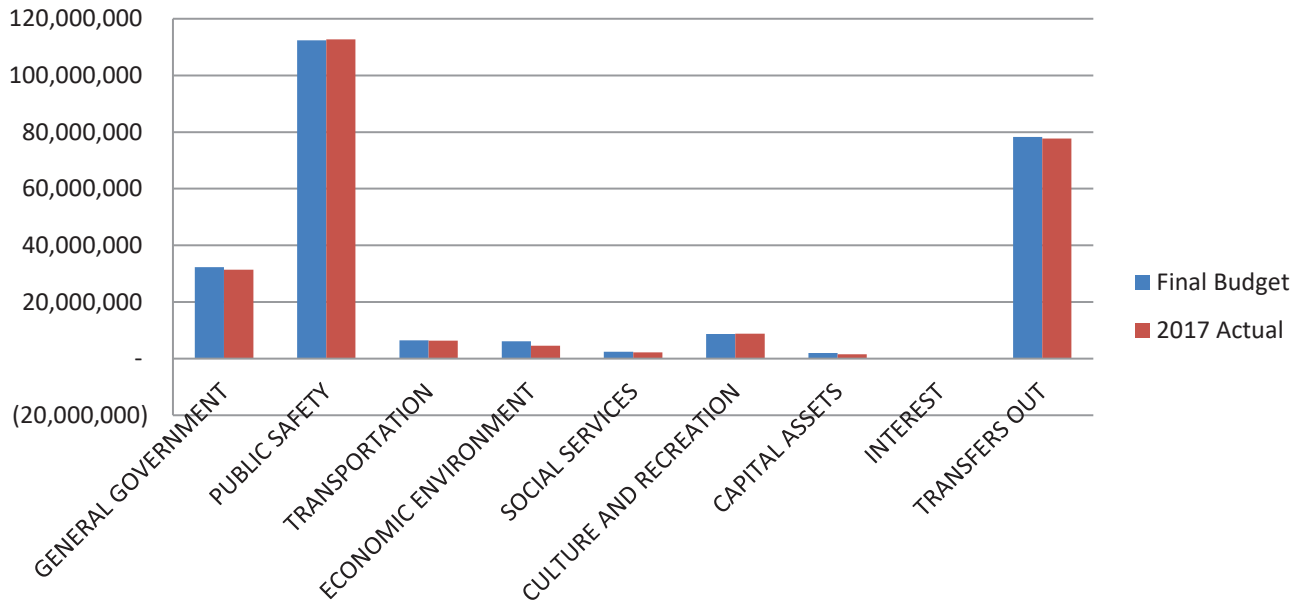


The actual revenues were approximately \$10.1 million more than the actual expenditures (including transfers out), or 4.0% excess of revenues over expenditures.

Excluding the effects of transfers in/out, the City had positive expenditure variances of \$2.7 million between the final budget and the actual amounts in all categories except Public Safety and Culture & Recreation, which realized in \$ 0.3 million and \$.01 million unfavorable variances respectively. The unfavorable variance in Public Safety was due to salaries and overtime in the Police Department and the unfavorable variance in Culture and recreation is offset by the positive variance in Economic environment. Generally, the positive variances are related to reduced expenditures across most of the general fund, as the City's management and Council continue to recognize the effects of prior revenue shortfalls and have adjusted expenditures accordingly.

As indicated by the budgetary operating statement, the City staff considers the annual budget to be an extremely important document and attempts to include in the budget their best estimate of revenue and expenditures. The City is also utilizing longer term budgetary projections to help the management and City Council make strategically sound budget decisions.

General Fund 2017 Expenses Final Budget vs Actual



Capital Assets and Debt Administration

Capital assets

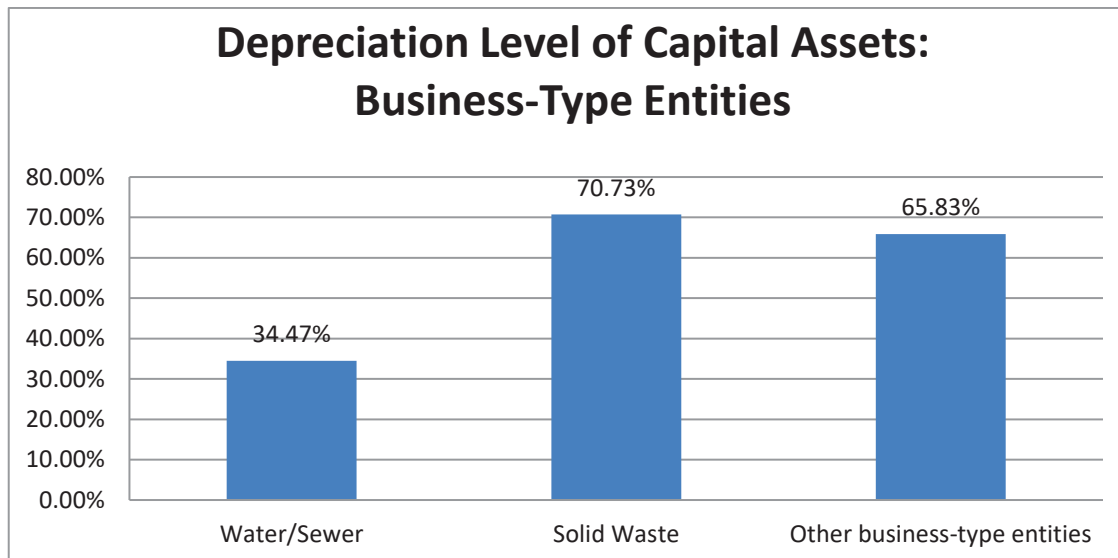
The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2017, was \$1,563.4 million and \$759.2 million respectively. See Note 4 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

The following table provides a summary of capital assets.

	Governmental Activities		Business-Type Activities		Total	
Summary of Capital Assets (in thousands)	2017	2016	2017	2016	2017	2016
NON-DEPRECIABLE ASSETS						
Land	\$ 839,422	\$ 836,772	\$ 14,552	\$ 13,850	\$ 853,974	\$ 850,622
Construction in progress	36,582	38,802	124,599	63,264	161,181	102,067
Total non-depreciable assets	876,004	875,575	139,151	77,114	1,015,155	952,689
DEPRECIABLE ASSETS						
Buildings	92,981	87,571	321,987	319,792	414,968	407,363
Other improvements	96,390	89,126	106,991	104,809	203,380	193,935
Machinery and equipment	101,423	99,244	155,016	150,379	256,439	249,623
Infrastructure	1,087,874	1,051,321	570,902	550,301	1,658,777	1,601,622
Intangible assets	5,450	5,299	114	114	5,564	5,413
Total depreciable assets	1,384,118	1,332,562	1,155,009	1,125,394	2,539,127	2,457,956
Total cost of capital assets	2,260,122	2,208,136	1,294,160	1,202,508	3,554,282	3,410,645
ACCUMULATED DEPRECIATION	(696,743)	(670,232)	(534,927)	(504,782)	(1,231,670)	(1,175,014)
Total book value of capital assets	\$ 1,563,379	\$ 1,537,905	\$ 759,233	\$ 697,726	\$ 2,322,612	\$ 2,235,631
Percentage depreciated	50%	50%	46%	45%	49%	48%

At December 31, 2017 and December 31, 2016, the depreciable capital assets for governmental activities were 50% - 50% depreciated.

With the City's business-type activities, 46% of the asset values were depreciated at December 31, 2017 and 45% at December 31, 2016. These percentages indicate that the City is maintaining and replacing their assets at a favorable rate. The percentage of depreciated assets for each of the three enterprise funds that report capital assets is as follows:



Long-term debt

At the end of the fiscal year, the City had long-term debt outstanding of \$435.6 million. Of this amount, \$188.6 million or 43.3% is backed by the full faith and credit of the City (general obligation bonds) with debt service fully funded by voter-approved property taxes or general government revenue. The other major component of \$247.0 million is supported by pledged revenues generated primarily by the business-type activities of the City (revenue bonds and loans from other governments).

During the year, the City retired \$44.5 million or 10.2% of the beginning outstanding borrowed debt balance.

	Governmental Activities		Business-Type Activities		Total	
Outstanding Borrowings	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 176,407,692	\$ 184,533,902	-	-	176,407,692	\$ 184,533,902
Deferred amounts	11,280,530	7,955,298	-	-	11,280,530	7,955,298
Special assessment debt	115,000	180,000	-	-	115,000	180,000
Capital leases	-	-	243,268	326,209	243,268	326,209
Revenue bonds	-	-	163,465,000	169,680,000	163,465,000	169,680,000
Deferred amounts	-	-	18,120,071	18,907,387	18,120,071	18,907,387
Other government/bank loans	828,139	1,066,056	65,226,384	52,527,663	66,054,522	53,593,719
Total	\$ 188,631,361	\$ 193,735,256	\$ 247,054,723	\$ 241,441,259	\$ 435,686,084	\$ 435,176,515

Long-term debt increased by \$ 0.5 million during 2017, which was the result of retiring \$27.1 million existing debt with a \$25 million bond refunding and an increase of government loans in the business-type activities.

On January 25, 2017 the city issued \$25,030,000 in unlimited tax general obligation (UTGO) refunding bonds with an average interest rate of 4.80 percent, and a True Interest Cost (TIC) of 2.43% to refund the callable portion of the City's outstanding 2008 UTGO Bonds (Park Bonds) totaling \$27,140,000. There is a zero balance outstanding on 12/31/2017 for the 2008 UTGO Bonds. As a result of the refinancing, the annual debt service was reduced by an average of approximately \$224,000 annually until the final maturity in 2027. The total savings is \$2,465,264, which has a present value of \$2,145,659. The Bonds were structured with the same final maturity as the 2008 UTGO Bonds.

See Note 9 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

Since one of the primary revenue streams for the City is sales tax, the City's sales tax revenues are subject to changes in the economy. Sales taxes are an "elastic" revenue stream; tax collections are higher in a flourishing economy and are lower in a depressed economy. While enjoying a strong economy in the middle of the last decade, the City of Spokane for the last several years has been dealing with the slow recovery from the nation-wide economic downturn. The City's management and elected officials are responding to the economic conditions with a balanced approach including cutting expenses, encouraging new business activity by minimizing tax increases, and using reserve balances strategically.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, please contact the City's Office of Finance, 808 West Spokane Falls Boulevard, Spokane, WA 99201.

City of Spokane, Washington
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,602,766	\$ 5,761,891	\$ 17,364,657
Equity in pooled investments	186,906,361	238,185,227	425,091,588
Receivables (net)	43,804,185	30,965,329	74,769,514
Internal balances	(27,952,265)	27,952,265	-
Inventories	3,178,414	5,199,573	8,377,987
Net Pension Asset	42,526,474	-	42,526,474
Restricted Assets:			
Receivables, noncurrent	24,122,471	66,876	24,189,347
Equity in pooled investments, restricted	-	19,706,957	19,706,957
Capital Assets (Note 4):			
Non-depreciable assets	876,004,008	139,150,899	1,015,154,907
Depreciable assets, net of depreciation	687,375,286	620,082,220	1,307,457,506
Total capital assets, net of depreciation	1,563,379,294	759,233,119	2,322,612,413
Total Assets	1,847,567,700	1,087,071,237	2,934,638,937
DEFERRED OUTFLOWS			
Pensions	30,106,414	18,048,004	48,154,418
Opeb	143,762	-	143,762
Total deferred outflows	30,250,176	18,048,004	48,298,180
Total Assets Plus Deferred Outflows	1,877,817,876	1,105,119,241	2,982,937,117
LIABILITIES			
Accounts payable and accrued expenses	13,084,214	9,887,270	22,971,484
Other liabilities, current	11,900,676	3,819,318	15,719,994
Long term liabilities (Note 9):			
Due within one year	25,322,499	10,686,463	36,008,962
Due within more than one year	456,736,752	356,674,103	813,410,855
Total Liabilities	507,044,141	381,067,154	888,111,295
DEFERRED INFLOWS			
Loans/Grants	502,481	-	502,481
Pensions	18,530,369	4,929,431	23,459,800
Sale of Future Revenue	-	83,079	83,079
Bond refundings	3,073,115	-	3,073,115
Opeb	192,632	122,481	315,113
Total deferred inflows	22,298,597	5,134,991	27,433,588
Total Liabilities Plus Deferred Inflows	529,342,738	386,202,145	915,544,883
NET POSITION			
Net investment in capital assets	1,417,655,945	608,260,265	2,025,916,210
Restricted for:			
Capital projects	32,539,608	-	32,539,608
Debt service	9,066,857	-	9,066,857
Grants/other	28,706,800	-	28,706,800
Police and firefighters' pension	1,176,994	-	1,176,994
Other	127,579	-	127,579
Unrestricted	(140,798,645)	110,656,831	(30,141,814)
Total Net Position	\$ 1,348,475,138	\$ 718,917,096	\$ 2,067,392,234

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

City of Spokane, Washington
Statement of Activities
For the Fiscal Period Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 34,804,766	\$ 9,207,509	\$ 509,960	\$ -	\$ (25,087,297)	\$ -	\$ (25,087,297)
Judicial	4,795,984	3,094,710	-	-	(1,701,274)	-	(1,701,274)
Public safety	109,266,065	8,234,813	3,952,818	78,814	(96,999,620)	-	(96,999,620)
Transportation	54,676,782	10,532,250	753	17,423,362	(26,720,417)	-	(26,720,417)
Economic environment	13,685,114	81,815	4,876,488	-	(8,726,811)	-	(8,726,811)
Social services	10,502,736	1,003,171	6,226,251	-	(3,273,314)	-	(3,273,314)
Culture and recreation	30,997,786	3,479,229	481,853	3,162,715	(23,873,989)	-	(23,873,989)
Interest on long-term debt	7,188,678	-	-	-	(7,188,678)	-	(7,188,678)
Total governmental activities	265,917,911	35,633,497	16,048,123	20,664,891	(193,571,400)	-	(193,571,400)
Business-Type Activities:							
Water/Sewer	120,806,617	143,395,988	75,100	1,321,806	-	23,986,277	23,986,277
Solid Waste	78,802,647	68,303,429	26,831	-	-	(10,472,387)	(10,472,387)
Other business-type activities	10,097,883	10,297,928	-	-	-	200,045	200,045
Total business-type activities	209,707,147	221,997,345	101,931	1,321,806	-	13,713,935	13,713,935
Total government	\$ 475,625,058	\$ 257,630,842	\$ 16,150,054	\$ 21,986,697	(193,571,400)	13,713,935	(179,857,465)
General revenues:							
Property taxes					71,597,378	-	71,597,378
Sales taxes					57,324,608	-	57,324,608
Utility taxes					63,087,151	-	63,087,151
Other taxes					19,056,311	-	19,056,311
Investment earnings					11,910,608	495,562	12,406,170
Transfers					5,070,403	(5,070,403)	-
Total general revenues and transfers					228,046,459	(4,574,841)	223,471,618
Change in Net Position					34,475,059	9,139,094	43,614,153
Net Position - beginning					1,403,855,069	712,476,476	2,116,331,545
Prior period adjustment					3,715,957	(355,536)	3,360,421
Change in accounting principle (GASB 75)					(93,570,947)	(2,342,938)	(95,913,885)
Net Position - beginning (restated)					1,314,000,079	709,778,002	2,023,778,081
Net Position - ending					\$ 1,348,475,138	\$ 718,917,096	\$ 2,067,392,234

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

**City of Spokane, Washington
Balance Sheet
Governmental Funds
December 31, 2017**

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 2,148,475	\$ 4,337,551	\$ 6,486,026
Deposits with fiscal agents/trustees	30,795	53,610	84,405
Equity in pooled investments	26,036,402	95,268,233	121,304,635
Taxes receivable	15,033,874	3,813,584	18,847,458
Special assessment receivable	-	1,637,316	1,637,316
Accounts receivable	3,822,305	4,546,192	8,368,497
Interest receivable	1,871,345	250,760	2,122,105
Due from other funds	6,631,438	2,821,984	9,453,422
Interfund loan receivable	2,710,106	1,041,978	3,752,084
Due from other governments	2,057,003	8,114,526	10,171,529
Advances to other funds	1,839,594	6,136,865	7,976,459
Inventories	3,000	1,394,670	1,397,670
Notes/contract receivable (non-current)	126,694	23,995,777	24,122,471
Total Assets	62,311,031	153,413,046	215,724,077
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets Plus Deferred Outflows of Resources	\$ 62,311,031	\$ 153,413,046	\$ 215,724,077
LIABILITIES			
Accounts/vouchers payable	\$ 2,465,054	\$ 6,759,460	\$ 9,224,514
Due to other funds	463,016	3,015,505	3,478,521
Due to other governments	473,175	359,217	832,392
Revenues collected in advance	2,481	508,792	511,273
Interfund loan payable	-	2,397,761	2,397,761
Other accrued liabilities	5,411,728	990,789	6,402,517
Other current liabilities	766,385	3,864,671	4,631,056
Total Liabilities	9,581,839	17,896,195	27,478,034
DEFERRED INFLOWS OF RESOURCES			
Property taxes	1,706,034	410,827	2,116,861
Unavailable Revenues Special Assessments	-	1,637,316	1,637,316
Revenues not available	-	71,152	71,152
Total Deferred Inflows of Resources	1,706,034	2,119,295	3,825,329
Total Liabilities Plus Deferred Inflows of Resources	11,287,873	20,015,490	31,303,363
Fund Balance			
Nonspendable	1,842,594	1,394,670	3,237,264
Restricted - capital projects	-	67,924,472	67,924,472
Restricted - police & firefighters' pension	-	1,176,994	1,176,994
Restricted - grants	799,281	27,907,519	28,706,800
Restricted - debt service	-	9,066,857	9,066,857
Restricted - other	-	127,579	127,579
Committed	2,554,288	22,068,309	24,622,597
Assigned	18,289,409	3,731,156	22,020,565
Unassigned	27,537,586	-	27,537,586
Total Fund Balance	51,023,158	133,397,556	184,420,714
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 62,311,031	\$ 153,413,046	\$ 215,724,077

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

Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December, 31 2017

Total Fund Balance of Governmental Funds	\$	184,420,714
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	867,582,022	
Depreciable assets	1,299,615,508	
Less: Accumulated depreciation	<u>(653,343,240)</u>	
Total capital assets		1,513,854,290
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resources and therefore is not reported in the funds.		
		42,526,474
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		
Pensions	24,941,767	
Opeb	143,762	25,085,529
Deferred inflows of resources represent an acquisition of fund equity that will be reported as an inflow of resources in a future period and therefore are not reported in the funds.		
Property Taxes	4,040,706	
Special Assessments	1,637,316	
Grants	8,792	
Revenues Collected for future sales	71,152	
Refunding debt	(3,073,115)	
Opeb	(278,119)	
Pensions	<u>(17,119,754)</u>	(14,713,022)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
		31,491,752
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Bonds payable	(176,407,692)	
Deferred amounts on bond issuance	(11,280,530)	
Special assessment debt	(115,000)	
Due to other governments	(828,139)	
Revitalization Areas	(3,291,429)	
Pollution Remediation	(1,620,000)	
OPEB (other postemployment benefits) liability	(100,587,560)	
Net pension obligation	(125,174,460)	
Accrued interest on bonds	(595,729)	
Compensated absences	<u>(14,290,060)</u>	
Total long term liabilities		<u>(434,190,599)</u>
Net Position of Governmental Activities	\$	<u>1,348,475,138</u>

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

City of Spokane, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2017

	General Fund	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 160,019,356	\$ 40,305,948	\$ 200,325,304
Licenses and permits	7,315,253	528,559	7,843,812
Intergovernmental	6,375,196	38,539,737	44,914,933
Charges for services	19,585,639	15,467,095	35,052,734
Fines and forfeitures	3,338,326	3,597,844	6,936,170
Miscellaneous	8,165,828	6,060,216	14,226,044
Net inc(dec) in market value of investments	1,987,713	1,141,930	3,129,643
Total Revenues	206,787,311	105,641,329	312,428,640
EXPENDITURES			
Current:			
General government	31,433,935	8,539,555	39,973,490
Public safety	112,748,488	12,722,893	125,471,381
Transportation	6,346,328	25,423,109	31,769,437
Economic environment	4,583,044	8,589,546	13,172,590
Social services	2,167,341	8,164,874	10,332,215
Culture and recreation	8,774,374	16,583,829	25,358,203
Capital outlays	1,531,171	55,138,860	56,670,031
Debt service:			
Principal	-	6,456,448	6,456,448
Interest	(3,488)	7,192,166	7,188,678
Total Expenditures	167,581,193	148,811,280	316,392,473
Excess of Revenues Over (Under) Expenditures	39,206,118	(43,169,951)	(3,963,833)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	294,390	565,038	859,428
Proceeds of bonds issued	-	25,030,000	25,030,000
Premium on bonds issued	-	3,780,610	3,780,610
Payment to escrow agent for refunded bond debt	-	(28,854,361)	(28,854,361)
Transfers in	890,265	45,284,706	46,174,971
Transfers out	(30,277,359)	(17,364,564)	(47,641,923)
Total Other Financing Sources (Uses)	(29,092,704)	28,441,429	(651,275)
Net change in fund balance	10,113,414	(14,728,522)	(4,615,108)
Fund Balance - beginning	40,909,997	148,507,215	189,417,212
Prior Period Adjustment	(253)	(381,137)	(381,390)
Fund balance - ending	\$ 51,023,158	\$ 133,397,556	\$ 184,420,714

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Fiscal year Ended December 31, 2017

Change in fund balance - governmental funds **\$ (4,615,108)**
Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, capital outlays did not exceed depreciation expense:

Capital outlays	56,344,594	
Depreciation expense	(32,359,998)	
		23,984,596

In the Statement of Activities, only the loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources. Thus, the change in fund balance differs from the change in net position by the cost of capital assets sold.

Capital assets sold	(8,833,955)	
Less accumulated depreciation	4,738,174	
		(4,095,781)

Some revenues in the governmental funds that were not available until the current year were reported in prior years in the Statement of Activities.

Some revenues in the governmental funds that were earned in the current year but are unavailable should be reported in the current year Statement of Activities. (110,002)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount payments exceeded proceeds:

Principal payment with refunding	2,110,000	
Principal repayments - general obligation debt	6,016,210	
Principal repayments - special assessment debt	65,000	
Principal repayments - due to other governments	237,917	
Principal repayments - Revitalization Areas	137,321	
		8,566,448

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(Increase) decrease in OPEB Expense	7,171,641	
(Increase) decrease in compensated absences	1,115,868	
(Increase) decrease in deferred amounts on bond issuance	(3,780,610)	
(Increase) decrease in deferred amounts on bond issuance	455,378	
(Increase) decrease in accrued interest	22,229	
(Increase) decrease in Pension Expense	5,514,545	
(Increase) decrease in refunding amortization	(2,191,427)	
		8,307,624

Internal service funds are used by management to charge the costs of certain activities such as fleet management and insurance to individual funds. The net gain of internal service funds is reported with governmental activities.

	2,437,282	
Change in net position of governmental activities	\$ 34,475,059	

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

City of Spokane, Washington
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4,941,021	\$ 419,514	\$ 339,872	\$ 5,700,407	\$ 3,318,726
Deposits with fiscal agents	50,915	10,569	-	61,484	1,713,609
Equity in pooled investments	215,518,526	17,504,253	5,162,448	238,185,227	65,601,726
Accounts receivable	14,113,703	6,614,666	807,974	21,536,343	610,845
Interest receivable	146,059	17,885	2,125	166,069	31,212
Due from other funds	348,693	28,432	21,833	398,958	2,064,711
Interfund loan receivable	2,774,734	391,702	43,657	3,210,093	674,725
Due from other governments	9,250,556	12,361	-	9,262,917	7,749
Inventories	3,058,492	2,072,574	68,507	5,199,573	1,780,744
Prepayments	-	-	-	-	83,629
Equity in pooled investments, restricted	7,542,607	12,164,350	-	19,706,957	-
Total current assets	257,745,306	39,236,306	6,446,416	303,428,028	75,887,676
Noncurrent assets:					
Non depreciable capital assets:					
Land	10,812,371	2,450,382	1,289,224	14,551,977	6,742,065
Construction in progress	124,488,047	73,447	37,428	124,598,922	1,679,920
Depreciable capital assets:					
Property, plant, and equipment	340,309,108	227,128,652	16,555,661	583,993,421	69,501,862
Infrastructure	570,902,200	-	-	570,902,200	9,550,407
Capitalized software	-	-	-	-	5,450,022
Intangible assets	113,766	-	-	113,766	-
Less accumulated depreciation	(360,725,087)	(162,429,344)	(11,772,736)	(534,927,167)	(43,399,270)
Total capital assets	685,900,405	67,223,137	6,109,577	759,233,119	49,525,006
Other noncurrent assets					
Other noncurrent assets	33,000	33,876	-	66,876	-
Advances to other funds	16,342,119	2,306,975	257,120	18,906,214	3,973,864
Total noncurrent assets	702,275,524	69,563,988	6,366,697	778,206,209	53,498,870
Total assets	960,020,830	108,800,294	12,813,113	1,081,634,237	129,386,546
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	10,341,503	5,905,709	1,800,792	18,048,004	5,164,647
Total deferred outflows of resources	10,341,503	5,905,709	1,800,792	18,048,004	5,164,647
Total assets plus deferred outflows of resources	970,362,333	114,706,003	14,613,905	1,099,682,241	134,551,193

City of Spokane, Washington
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
LIABILITIES					
Current Liabilities:					
Accounts payable	8,126,662	1,615,494	145,112	9,887,268	2,431,582
Claims and judgements payable	-	-	-	-	17,604,100
Compensated absences	214,660	82,317	30,240	327,217	168,552
Capital lease payable	-	-	85,891	85,891	-
Due to other funds	5,481,398	1,621,760	268,073	7,371,231	1,067,339
Interfund loan payable	-	-	412,044	412,044	35,683,634
Due to other governments	2,730,749	-	-	2,730,749	-
Revenue bonds payable	7,542,607	-	-	7,542,607	-
Accrued interest	670,082	-	-	670,082	42,563
Other accrued liabilities	1,314,820	696,234	213,110	2,224,164	745,078
Other current liabilities	565,495	232,880	126,697	925,072	79,462
Total current liabilities	26,646,473	4,248,685	1,281,167	32,176,325	57,822,310
Noncurrent Liabilities:					
Revenue bonds payable	174,042,463	-	-	174,042,463	-
Due to other government units	62,495,637	-	-	62,495,637	-
Compensated absences	3,187,601	1,437,672	569,103	5,194,376	1,559,255
Noncurrent capital lease payable	-	-	157,377	157,377	-
Net pension liability	57,431,064	32,797,084	10,000,615	100,228,763	28,681,639
Total opeb liability	1,485,129	757,162	107,553	2,349,844	450,835
Accrued landfill postclosure liability	-	12,205,643	-	12,205,643	-
Total noncurrent liabilities	298,641,894	47,197,561	10,834,648	356,674,103	30,691,729
Total Liabilities	325,288,367	51,446,246	12,115,815	388,850,428	88,514,039
DEFERRED INFLOWS OF RESOURCES					
Pensions	2,824,563	1,613,020	491,848	4,929,431	1,410,615
Opeb	67,187	45,795	9,499	122,481	(85,487)
Sale of Future Revenue	-	-	83,079	83,079	-
Total deferred inflows of resources	2,891,750	1,658,815	584,426	5,134,991	1,325,128
Total liabilities plus deferred inflows of resources	328,180,117	53,105,061	12,700,241	393,985,419	89,839,167
NET POSITION					
Net investments in capital assets	535,170,818	67,223,137	5,866,310	608,260,265	49,525,006
Restricted for unspent bond proceeds	-	-	-	-	-
Unrestricted	107,011,398	(5,622,195)	(3,952,646)	97,436,557	(4,812,980)
Total Net Position	\$ 642,182,216	\$ 61,600,942	\$ 1,913,664	705,696,822	\$ 44,712,026
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				13,220,274	
Net position of business-type activities				<u>\$ 718,917,096</u>	

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

City of Spokane, Washington
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
OPERATING REVENUES					
Charges for goods and services	\$ 135,391,065	\$ 66,159,401	\$ 10,555,217	\$ 212,105,683	\$ 85,099,302
Total operating revenues	135,391,065	66,159,401	10,555,217	212,105,683	85,099,302
OPERATING EXPENSES					
Salaries and wages	23,615,396	12,376,100	4,534,426	40,525,922	12,658,457
Personnel benefits	7,759,282	4,263,833	1,515,483	13,538,598	4,191,587
Supplies	5,087,109	2,824,187	348,046	8,259,342	4,306,970
Other services and charges	25,864,612	38,627,386	3,628,834	68,120,832	16,815,706
Intergovernmental	-	524	-	524	-
Taxes	31,451,105	10,288,369	20,742	41,760,216	147,290
Depreciation/amortization	22,323,177	10,730,038	425,877	33,479,092	5,226,654
Risk transfer payments	280,044	408,520	-	688,564	10,187,412
Claims processing	-	-	-	-	2,750,954
Payments to claimants and beneficiaries	-	-	-	-	32,329,915
Total operating expenses	116,380,725	79,518,957	10,473,408	206,373,090	88,614,945
Operating Income (Loss)	19,010,340	(13,359,556)	81,809	5,732,593	(3,515,643)
NONOPERATING REVENUES (EXPENSES)					
Interest income	426,591	61,945	7,026	495,562	113,420
Gain (loss) on disposition of capital assets	(315,470)	37,041	(10,027)	(288,456)	530,041
Interest expense	(7,175,658)	-	-	(7,175,658)	(832,764)
Other nonoperating revenue	2,179,081	2,295,859	38,796	4,513,736	480,398
Total nonoperating revenues (expenses)	(4,885,456)	2,394,845	35,795	(2,454,816)	291,095
Income (loss) before capital contributions and transfers	14,124,884	(10,964,711)	117,604	3,277,777	(3,224,548)
Capital contributions	9,168,787	-	-	9,168,787	887,408
Transfers in	-	-	45,000	45,000	7,115,811
Transfers out	(5,050,000)	-	(65,404)	(5,115,404)	(578,455)
Total contributions and transfers	4,118,787	-	(20,404)	4,098,383	7,424,764
Change in Net Position	18,243,671	(10,964,711)	97,200	7,376,160	4,200,216
Net Position - beginning	625,782,517	73,306,495	1,930,124	701,019,136	40,861,861
Prior Period Adjustment	(358,324)	-	2,788	(355,536)	-
Change in Accounting Principle (GASB75)	(1,485,648)	(740,842)	(116,448)	(2,342,938)	(350,051)
Net Position - beginning (restated)	623,938,545	72,565,653	1,816,464		40,511,810
Net Position - ending	<u>\$ 642,182,216</u>	<u>\$ 61,600,942</u>	<u>\$ 1,913,664</u>		<u>\$ 44,712,026</u>
			Change in Net Position	7,376,160	
			Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	1,762,934	
			Change in net position of business-type activities	<u>\$ 9,139,094</u>	

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

City of Spokane, Washington
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 134,151,170	\$ 69,455,330	\$ 10,617,897	\$ 214,224,397	\$ 87,492,186
Payments to suppliers for services	(28,478,829)	(43,026,973)	(3,956,326)	(75,462,128)	(71,220,900)
Payments to employees	(27,865,132)	(10,835,206)	(5,268,289)	(43,968,627)	(15,785,366)
Payment for taxes - city and state	(31,451,105)	(10,288,369)	(20,914)	(41,760,388)	(145,223)
Other receipts (payments)	(1,843,972)	(740,842)	(113,660)	(2,698,474)	(350,051)
Net cash provided (used) by operating activities	44,512,132	4,563,940	1,258,708	50,334,780	(9,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in (out)	(5,050,000)	-	30,000	(5,020,000)	6,744,405
Net cash provided (used) by noncapital financing activities	(5,050,000)	-	30,000	(5,020,000)	6,744,405
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Proceeds from disposal of capital assets	83,666	49,041	-	132,707	622,439
Proceeds from loans, notes, and lease purchase payable	15,714,893	-	(83,336)	15,631,557	5,035,062
Capital grants and contributions received	-	-	-	-	-
Acquisition and construction of capital assets	(90,510,102)	(4,724,705)	(208,852)	(95,443,659)	(5,870,277)
Principal paid on revenue bonds	(9,698,889)	-	-	(9,698,889)	-
Principal paid on capital leases	-	-	(82,942)	(82,942)	-
Principal paid on interfund loans	-	-	-	-	(4,436,381)
Interest paid on interfund loans	-	-	-	-	(832,765)
Interest paid on revenue bonds	(7,202,642)	-	-	(7,202,642)	-
Interest paid on general obligation bonds	-	-	-	-	-
Transfers in (out)	8,873,435	-	(50,404)	8,823,031	(257,436)
Net cash provided (used) by capital and related financing activities	(82,739,639)	(4,675,664)	(425,534)	(87,840,837)	(5,739,358)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(40,971,364)	(5,050,582)	(1,621,028)	(47,642,974)	(8,208,357)
Proceeds from sales and maturities of investments	84,988,379	4,850,000	829,807	90,668,186	6,350,730
Interest received	594,557	72,749	3,740	671,046	150,919
Net cash provided (used) by investing activities	44,611,572	(127,833)	(787,481)	43,696,258	(1,706,708)
Net increase (decrease) in cash and cash equivalents	1,334,065	(239,557)	75,693	1,170,201	(711,015)
Cash and cash equivalents - January 1	3,606,955	659,071	264,179	4,530,205	4,029,741
Cash and cash equivalents - December 31	\$ 4,941,021	\$ 419,514	\$ 339,872	\$ 5,700,407	\$ 3,318,726
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 19,010,340	\$ (13,359,556)	\$ 81,809	\$ 5,732,593	\$ (3,515,643)
Adjustments to Reconcile Operating Income					
Depreciation & amortization	22,323,177	10,730,038	425,877	33,479,092	5,226,654
Prior period adjustment	(358,324)	-	2,788	(355,536)	-
Change in Accounting Principle	(1,485,648)	(740,842)	(116,448)	(2,342,938)	(350,051)
Other revenues	2,179,081	2,295,859	38,796	4,513,736	480,398
Other expenses	-	-	-	-	-
Change in Assets: Decrease (Increase)					
Receivables, net of allowance	5,491,967	1,002,028	23,881	6,517,876	2,586,275
Deposits with fiscal agents	-	(1,958)	-	(1,958)	(673,788)
Inventories	(447,576)	(99,556)	(25,590)	(572,722)	(248,396)
Prepayments	-	-	-	-	(83,628)
Change in Deferred Outflows : Decrease (Increase)	(1,710,182)	3,599,720	(138,980)	1,750,558	(1,216,368)
Change in Liabilities: Increase (Decrease)					
Payables	5,522,990	(520,608)	465,228	5,467,610	(3,539,935)
Change in Deferred Inflows: Increase (Decrease)	(6,013,693)	1,658,815	501,347	(3,853,531)	1,325,128
Net Cash provided (used) by operating activities	\$ 44,512,132	\$ 4,563,940	\$ 1,258,708	\$ 50,334,780	\$ (9,354)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ 779,439	\$ -	\$ -	\$ 779,439	\$ 197,775

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

City of Spokane, Washington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Pension and Other Employee Benefit Plans	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash	\$ 812,699	\$ 24,059	\$ 3,196,107
Short term investments	1,366,130	-	-
Receivables, pension and other employee benefit plans:			
Interest and dividends	353,178	-	-
Redemption receivable	2,500,000	-	-
Taxes receivable	450,000	-	-
Other receivables	27,467	4,540	-
Investments, noncurrent, at fair value:			
U.S. fixed income	77,812,461	-	-
International/global fixed income	965,851	-	-
U.S. equities	104,540,678	-	-
Real estate	27,096,456	-	-
International equities	53,815,203	-	-
Alternatives	71,238,891	-	-
Total investments	335,469,540	-	-
Capital assets:			
Software	477,000	-	-
Other improvements	17,539	-	-
Accumulated depreciation	(160,639)	-	-
Investments, noncurrent, all other funds:			
Total Assets	341,312,914	28,599	3,196,107
LIABILITIES			
Accounts/vouchers payable	147,664	-	36
Warrants payable	-	-	2,710,893
Due to other governments	139	28,599	481,701
Compensated absences	24,701	-	-
Other accrued liabilities	15,150	-	-
Other current liabilities	30,608	-	3,477
Total Liabilities	218,262	28,599	3,196,107
NET POSITION			
Net position held in trust for:			
Pension benefits	327,276,878	-	-
Postemployment benefits	13,817,774	-	-
Total Net Position	\$ 341,094,652	\$ -	

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

City of Spokane, Washington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended December 31, 2017

	Pension and Other Employee Benefit Plans	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 15,813,112	\$ -
Plan members	8,113,319	-
Intergovernmental revenue	302,943	-
Medicare retiree drug subsidy	257,870	-
Miscellaneous	15,372	-
Private contributions	-	13,136
Total Contributions	24,502,616	13,136
Investment Income:		
Net increase (decrease) in fair value of investments	39,409,382	-
Interest and dividends	4,841,758	-
Total investment earnings (loss)	44,251,140	-
Less: Investment expense	(535,450)	-
Net investment income (loss)	43,715,690	-
Total Additions	68,218,306	13,136
DEDUCTIONS		
Pension Benefits	28,446,808	-
Medical and dental benefits	5,289,055	-
Pension refunds	551,908	-
Medical and dental administration	440,370	-
Administrative expenses	719,797	-
Total Deductions	35,447,938	-
Change in Fiduciary Net Position	32,770,368	13,136
Fund Balance - beginning	308,324,284	15,463
Net position - ending	\$ 341,094,652	\$ 28,599

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

Note 1

Summary of Significant Accounting Policies

The City of Spokane was incorporated November 29, 1881 with a population of 1,000 people and an area of two square miles. Today, over 100 years later, the City's population is approximately 217,300 people within an area of about 70.07 square miles. The City's first charter was adopted December 28, 1910, with a Commission form of government. On January 1, 2001 the City began operating under the Strong Mayor-Council form of government that was adopted November 7, 2000.

The accounting policies of the City of Spokane conform to generally accepted accounting principles, as applicable to governments. The accompanying summary of the City of Spokane's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

Effective for fiscal year 2017 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB 74 Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans. The changes required by this statement can be found in Note 6.

GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

GASB 80 Blending Requirements for Certain Component Units. This statement amends the blending requirements for the financial statement presentation of component units and requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Blended component units of the City are further described in Note 1 under A. Reporting Entity.

GASB 81 Irrevocable Split-Interest Agreements is not applicable to the City as the City has no agreements of this type.

GASB 82 Pension Issues-As Amendment of GASB Statements NO. 67, NO. 68, NO. 73. This objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for pensions*, and No. 73, *Accounting and financial Reporting for Pension and Related Assets that are Not within the Scope of 68, and Amendments to certain Provisions of GASB Statements 67 and 68.*

A. REPORTING ENTITY

The accompanying financial statements of the City of Spokane include all funds, activities and functions over which the City's executive and legislative bodies exercise oversight responsibility. Oversight responsibility is derived from the City's power and includes, but is not limited to: (a) financial interdependency, (b) selection of governing authority, (c) designation of management, (d) ability to significantly influence operations, and (e) accountability for fiscal matters.

The most significant manifestation of oversight is financial interdependency. This includes the responsibility for financing deficits, entitlement to surpluses, and guarantees of "moral responsibility" for debt.

Included in the accompanying financial statements are several funds that are administered by independent boards. These include the Library fund, Parks fund, Employees' Retirement fund, Firefighters' Pension fund, and the Police Pension fund. These organizations meet the criteria for inclusion in the City's financial statements.

The following organizations are not part of the City of Spokane and are excluded from the accompanying financial statements:

Community Colleges of Spokane

The governing body is appointed by the Governor of the State of Washington. The City has no oversight responsibility nor does any financial interdependency exist between the two entities.

Spokane School District #81

The voters of the school district elect the governing body and taxes are levied by the school district itself. The City has no oversight responsibility nor does any financial interdependency exist between the two entities.

Spokane Housing Authority

The governing body is appointed by the Mayor of the City. It is an independent entity that does not have taxing authority, but can issue bonds. State law provides that liabilities incurred by them be satisfied from their assets and that no person shall have any right of action against the City on account of their debts, obligations and liabilities. The City does not, therefore, have oversight responsibility nor does any financial interdependency exist between the two entities.

Spokane Transit Authority

The governing body is appointed jointly by the City and Spokane County. Small cities in the Spokane Transit Authority service area also elect a representative. The City has no oversight responsibility nor does any financial interdependency exist.

Spokane Public Facilities District

The governing board consists of five members. Two are appointed by the City, two by Spokane County, and the fifth member is selected by the other four members. The City has no oversight responsibility nor does any financial interdependency exist.

Blended Component Unit

Blended component units, although legally separate entities, are those considered to be part of the city's operation in substance. They are financially accountable to the city, or have relationships with the city such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as blended component units because city officials either serve on or appoint the members of the governing bodies of the authorities.

The Spokane Transportation Benefit District (TBD) was created to make transportation improvements consistent with existing state, regional, and local transportation plans. The financial transactions of the TBD have been combined as part of the primary government in the government-wide *Statement of Net Position* and the *Statement of Activities*.

The separately issued financial statements of these related organizations are filed with the State Auditor's Office and can be found at <http://portal.sao.wa.gov/ReportSearch>.

Discretely Presented Component Unit

A discretely presented component unit does not function as an integral part of the primary government, its data is presented separately from the data of the primary government.

The Northeast Public Development Authority was created to invest in community outreach, infrastructure, economic development partnerships, and land development to create business and job opportunities within the northeast development target area. As of December 31, 2017, there were no financial transactions that are reported in the City's financial statements.

Joint Ventures

The City participates in 3 joint ventures. These include the Spokane International Airport, the Spokane Regional Transportation Council and the West Plains-Airport Area Public Development Authority. The Spokane Regional Transportation Council is accounted for by the City in an Agency fund. The Spokane International Airport and the West Plains-Airport Area Public Development Authority are not part of the City and are excluded from the accompanying financial statements. See Note 11, Joint Ventures, which more fully describes these organizations.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The city presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all activities of the primary government unit and its component units, if any. The accompanying fiduciary funds are not included in the government-wide financial statements. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Statement of Net Position

The Statement of Net Position presents the City's assets/deferred outflows and liabilities/deferred inflows. As a general rule, balances between governmental and business-type activities are eliminated.

Assets and liabilities are presented in order of liquidity. Net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) are classified into three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net position results when constraints are placed on an asset's use either by external parties or by law through enabling legislation.
- Unrestricted net position consists of amounts that do not meet the definition of the two preceding categories.

Statement of Activities

The Statement of Activities reports the extent to which each major city program is supported by general city revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a city resident or taxpayer or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program are also considered program revenues.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation and risk management insurance programs and the various other city programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The City presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds

- **General Fund** is the City's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.

Major Enterprise Funds

- **Water/Sewer Fund** accounts for the operation and construction of the water and wastewater distribution systems, the hydroelectric facilities, and the wastewater treatment facility, and accounts for all revenues and expenses incurred in its operation.
- **Solid Waste Fund** is used to account for the collection and disposal of the City's refuse, including curbside and yard waste recycling. The operation of the waste-to-energy facility is also accounted for in this fund.

Operating and Nonoperating Revenues and Expenses

The City's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. All revenue and expenses not meeting this definition are reported as nonoperating, including interest expense and interest income.

The City includes the following governmental and proprietary fund types within nonmajor funds.

Nonmajor Governmental Funds

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of city programs including the City's street program, parks department, and community development programs.
- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the City's bonds issued in support of governmental activities.
- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major city-owned facilities (other than those financed by proprietary funds).

Nonmajor Proprietary Funds

- **Enterprise Funds** account for the City's business type operations for which a fee is charged to external users for goods or services such as golf and building permits.
- **Internal Service Funds** account for the City's risk management, data processing, accounting, utility billing, fleet services, and other services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary Funds

The City reports the following fiduciary funds:

- **Pension (and other Employee Benefit) Trust Funds** are used to report resources that are required to be held in trust by the city for the members and beneficiaries of its defined benefit and other employee benefits plans. Included in this category are the Employees' Retirement Fund, the Firefighters' Pension and OPEB Funds, and the Police Pension and OPEB Funds.
- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension trusts, under which trust principal and income benefit individuals, private organizations, or other governments. Included in this category is the Finch Arboretum Trust Fund.
- **Agency Funds** account for resources held by the city in a custodial capacity for other governments, private organizations, or individuals. Included in this category are the Parking and Business District Fund, the Spokane Regional Transportation Council Fund, the EMS Program Director Fund, the Salary Clearing Fund, the Claims Clearing Fund and the Fiscal Agency Fund.

The fiduciary funds are not included in the government-wide financial statements

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the City uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as the eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the city uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets and liabilities are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay for liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, federal grants in aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the eligibility criteria is met. Expenditure-driven grant revenue is considered available if it can be collected by the city at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collected within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, un-matured interest on general long-term obligations is recognized when due, and certain compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available expendable financial resources.

The City reports deferred inflows of resources on the balance sheet of its governmental funds under certain conditions. Deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for revenue recognition in the current period. Deferred inflows of resources also arise when resources are received by the city before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on their respective statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Net position for trust funds are held in trust for external individuals and organizations.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Excess of Expenditures Over Appropriations

The following governmental funds reported excess expenditures and other uses over appropriations for the year ended December 31, 2017

Fund	Amount
Streets Department	6,758
Under Freeway Parking	11,919
Law Enforcement Information Systems Fund	16,361
Community Development Human Services Operation Fund	218,942
Kendall Yards TIF Fund	20,263
GO Bond Redemption Fund	250,185
Special Assessment Debt Service Fund	76,812
Total	601,240

Funds with Deficit Fund Balance/Net Position

The following funds reported deficit fund balance/net position as of December 31, 2017:

Fund	Amount
CHHS Operations	93,612
2008 Parks	108
Building Services Fund	2,298,786
Public Works Utilities Fund	2,622,415
Reprographics Fund	111,569
Accounting Services Fund	5,972,403
My Spokane	232
Workers' Compensation Fund	435,548
Total	11,534,672

The net position deficit for the Building Services, Public Works Utilities, Reprographics, and Accounting Services Funds is due to the recognition of the net pension liability related to the City's Employee's Retirement System pursuant to GASB 68 and GASB 75. It is unknown if/when the deficit will be recovered.

D. BUDGETARY INFORMATION

Annual appropriated budgets are adopted for all funds within the City, including the General, Special Revenue, Debt Service, and Capital Projects funds. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted governmental funds only.

The budget basis is substantially the same as the basis of accounting in all governmental funds.

The City follows these policies and procedures in establishing the budgetary data reported in the financial statements:

1. Prior to November 1, the Mayor submits to the City Council a preliminary budget and budget message and files it with the City Clerk.
2. Public hearings are conducted to obtain taxpayers comments.
3. Prior to January 1, the budget is legally adopted through passage of an ordinance. The City is required by state law to adopt a balanced budget.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council.
5. A comparison of budget to actual is used as a management control device during the year for all funds.
6. The expenditures of a given fund may not legally exceed its appropriations.

7. The financial statements contain 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, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.
8. The level of control for adopted budgets is at the fund level.
9. Any unexpended appropriation balances automatically lapse at year-end.

Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances at year-end represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders in process are completed. Encumbrances outstanding at year-end for unfulfilled obligations of the current year budget are re-appropriated in the succeeding year.

E. ASSETS, LIABILITIES, AND NET POSITION

1. Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. This amount is classified on the balance sheet as equity in pooled investments. The interest on these investments is credited to the General Fund. Cash and equivalents include cash on hand, cash in banks, and petty cash funds.

2. Investments

The City Treasurer invests all temporary cash surpluses. For reporting purposes, these pooled investments are stated at fair value or amortized cost, which approximates fair value.

All other noncurrent investments are valued at fair value. Fair values are based on published market prices or from national security exchanges and security pricing services. Additional disclosure describing investments is provided in Note 2.

3. Receivables

Accounts receivable are stated net of allowances for uncollectible accounts. Estimated unbilled accounts receivable for the Water, Sewer and Solid Waste funds have been recognized as revenue. Accrued interest receivable consists of amounts earned on investments, notes and contracts at year end.

4. Amounts Due to and from Other Funds and Governments and Interfund Loans

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either *Interfund Loans Receivable*, *Advances to Other Funds*, *Interfund Loan Payable* or *Due To/From Other Funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Loans between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. Inventories

Inventories are valued at average cost. The inventories of governmental funds, parks fund, proprietary funds, water warehouse, water meter shop, wastewater treatment plant and utilities garage are maintained on a perpetual inventory system. Other reported inventories are determined by physical count.

Reported inventories in governmental funds consist of expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased (purchase method). Reported inventories in these funds are fully offset by a fund balance reserve, which indicates they are unavailable for appropriation. A comparison to market value is not considered necessary.

6. Restricted Assets

The proceeds of enterprise fund revenue bonds, as well as other resources, are restricted by applicable bond ordinances for construction costs and debt service payments. The current portion of related liabilities is shown as Payables from Restricted Assets. Owners and operators of Solid Waste Landfill units are required under the Washington Administrative Code to establish financial assurance for closure and post-closure monitoring of those units.

The restricted assets of the enterprise funds are composed of the following:

Fund	Amount
Equity in Pooled Investments - Landfill Liability	12,164,350
Current portion of revenue bonds payable	7,542,607
Total	19,706,957

7. Other Noncurrent Assets

Other Long-Term Assets include long-term Contracts Receivable in the Sewer fund and Other Long-Term Assets in the Solid Waste fund.

8. Unavailable Revenue

Unavailable revenue includes deferred inflows of resources such as property taxes and special assessment receivables.

9. Capital Assets (see Note 4)

Except as noted below, it is the City's policy to capitalize:

- All land;
- All city computers
- All additions and improvements to the city's road system;
- Intangible assets;
- Buildings, building improvements, and leasehold improvements with a cost of \$5,000 or more; and

- All other capital assets with a unit cost of \$5,000 or greater

Capital assets such as property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. The City defines capital assets 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives.

Category	Useful Life (in Years)
Buildings & Improvements	50-60
Infrastructure	40-60
Light/Heavy Duty Vehicles	5-10
Other Equipment	2-20
Heavy Equipment	10
Water Mains	60
Water Hydrants	50-60
Sewer Interceptors	100

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

10. Compensated Absences

Employees accrue ten days of vacation leave per year for up to five years of service. From five to twenty years, three to four weeks are accrued depending on length of service; five weeks are accrued at the beginning of the twentieth year, and six weeks are accrued at the beginning of the thirtieth year. An employee may accumulate paid vacation leave not to exceed two hundred hours or two times the employee's annual leave accrual, whichever is greater. The City has a policy of payment of the full amount of unused vacation leave up to the maximum accrual allowed upon termination or retirement.

The sick leave policy of the City varies according to the contract provisions of the various bargaining units. The most generous provision provides vesting, after five years of service, of 25% of the recorded sick leave at the date of resignation, and 40% upon retirement. There is no cash payment until resignation or retirement and the maximum payout cannot be in excess of 960 hours for any employee.

All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. An additional amount has been accrued for the government's share of Social Security and Medicare Taxes relating to the vacation and sick leave accrual.

11. Long-Term Liabilities (See Note 9)

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line or bonds-outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding and pensions.

Deferred outflows on debt refunding result when the net carrying value of refunded debt exceeds its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. City contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred outflows on OPEB are recorded when there is a difference between expected and actual earnings changes in assumptions and difference between projected an actual earnings on plan investments. When these amounts increase OPEB expense they are labeled an outflow. These outflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all the employees that are provided with benefits though the OPEB plan at the beginning of the measurement period.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the city relate to unavailable revenue, debt refunding, and pensions.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds balance sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

Deferred inflows on refunding result when the reacquisition price of the refunding debt exceeds the net carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Deferred inflows on OPEB are recorded when there is a difference between expected and actual earnings changes in assumptions and difference between projected and actual earnings on plan investments. When these amounts decrease OPEB expense they are labeled an inflow. These inflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all the employees that are provided with benefits through the OPEB plan at the beginning of the measurement period.

13. Governmental Fund Balance

The City's governmental fund balance balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- **Nonspendable.** Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- **Restricted.** Balances that are restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed.** Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the city, this formal action takes the form of statutes which are passed by the City Council and approved by the Mayor.
Assigned. Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. Because the city's CFO is identified by the City of Spokane's Municipal Code as the custodian of all city funds, it is the CFO's responsibility (or their delegate) to provide the proper record keeping services needed to appropriately segregate and identify all fund balances overseen by the custodian.
- **Unassigned.** Residual balances that are not constrained in the other classifications.

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first followed by assigned and unassigned resources respectively.

The detail of the governmental funds committed and assigned fund balances at December 31, 2017 are shown below:

Fund Balance	General Fund	Nonmajor Government Funds	Total
<i>Nonspendable:</i>			
Interfund loans receivable	1,842,594	1,394,670	3,237,264
Total Nonspendable Fund Balance	1,842,594	1,394,670	3,237,264
<i>Restricted for:</i>			
Capital projects	-	67,924,472	67,924,472
Debt service	-	9,066,857	9,066,857
Grants	799,281	27,907,519	28,706,800
Police/firefighters' pension	-	1,176,994	1,176,994
Other	-	127,579	127,579
Total Restricted Fund Balance	799,281	106,203,421	107,002,702
<i>Committed for:</i>			
Revenue stabilization	716,397	-	716,397
City facilities	-	206,065	206,065
Communication	-	5,101,854	5,101,854
Transportation	131,531	6,177,360	6,308,891
Public safety	1,706,360	5,709,250	7,415,610
Culture and recreation	-	4,798,073	4,798,073
Benefits	-	75,707	75,707
Total Committed Fund Balance	2,554,288	22,068,309	24,622,597
<i>Assigned for:</i>			
Contingency reserve	14,571,080	-	14,571,080
General Government	1,357,853	-	1,357,853
Library capital replacement	1,834,938	-	1,834,938
Communication	-	-	-
Human Services	-	342,725	342,725
Law enforcement	-	52,144	52,144
Fire protection	-	-	-
Transportation	-	-	-
Culture and recreation	-	300,000	300,000
Code enforcement	419,032	-	419,032
City facilities/improvement	83,937	3,036,287	3,120,224
Benefits	-	-	-
Other purposes	22,569	-	22,569
Total Assigned Fund Balance	18,289,409	3,731,156	22,020,565
<i>Unassigned:</i>	27,537,586	-	27,537,586
Total	51,023,158	133,397,556	184,420,714

14. Budgetary Reserves/Control

Contingency Reserve. This account was established in 2001 in the Spokane Municipal Code. At each budget cycle commencing with year 2001 and every year thereafter, an amount from the unappropriated general fund fund balance at each year end shall be appropriated to the contingency reserve account. Additional funds may be added to the contingency reserve account in such amounts and at such additional times during the ensuing budget year in accordance with standard emergency budget ordinance procedures.

Disbursements from this account are for the purpose of meeting extraordinary expenditures and are governed by the following criteria:

1. Unforeseen circumstances arising after the adoption of the annual budget which require an unavoidable and non-continuing allocation; or
2. Unforeseen emergency threatening health and/or safety of the citizens; or
3. Unanticipated non-continuing expenses are needed to fulfill an unfunded legislative mandate; or
4. Significant operating efficiencies can be achieved resulting in clearly identified near-term and offsetting cost savings. Appropriations from this account are only approved by the standard emergency budget ordinance procedure.

Revenue Stabilization. At each and every year, commencing with the 2008 budget, amounts from the unappropriated general fund fund balance shall be appropriated to the revenue stabilization account until such time the account is funded to the targeted funding level. The initial targeted funding level within the revenue stabilization account was three and one-half percent of budgeted general fund revenues.

Disbursements from the revenue stabilization account may be made to mitigate a general fund revenue shortfall deemed by the City Council to meet the following criteria:

1. Revenue shortfall results from revenue collections considered to be materially short of the amount budgeted, or the revenue shortfall results from projected baseline (existing) budgeted revenues for any ensuing year increasing by less than the assumed long-term revenue growth rate in the City's six-year general fund projection for the immediate year; and
2. The revenue shortfall is expected to persist through the end of the fiscal year; and
3. The revenue shortfall is reasonably expected to persist for a period no longer than three years. A revenue shortfall expected to persist beyond three years shall be directly addressed in the current annual budget process through long-term budget measures.

Disbursements from the revenue stabilization account may include amounts budgeted in the general fund to supplement revenue shortfalls that occur in other city funds. Appropriations from this account are only approved by the standard emergency budget ordinance procedure.

Park Fund Reserve. The Parks Fund is overseen by an independent board of commissioners. This board approved a reserve of three percent of the annual budget to be maintained for emergencies, risk management and economic uncertainty. All appropriations from this reserve account require prior Parks Board approval unless previously specifically authorized for expenditure in the annual budget.

15. Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations which have not yet been fulfilled, cancelled, or discharged. At December 31, 2017, \$25.9 million was carried forward to the subsequent budget year as follows, and have been classified as assigned fund balance unless the fund's net position was already classified as restricted net position as follows:

Fund	Amount
General Fund	1,661,522
Nonmajor Governmental Funds	24,238,863
Total	25,900,385

F. Other Significant Accounting Policies

Budgeting, Accounting and Reporting System (BARS)

The State of Washington Office of State Auditor was granted authority pursuant to the Revised Code of Washington (RCW 43.09.200 and 43.09.230) to prescribe the Budgeting, Accounting and Reporting System (BARS). The purpose of the BARS manual is to provide for uniformity in budgeting, accounting and reporting by all local government entities within the State of Washington. The City has established its own chart of accounts for accounting purposes and converts to BARS accounts for State reporting.

Note 2

Cash and Investments

Deposits and Investments

The City has the authority to invest in pooled investments (Treasurer's Cash Investments) individual securities and fund investments. The Chief Financial Officers manages the Spokane Investment Pool (an internal investment pool) and has the authority to determine the availability of funds for pooled and fund investments along with individual security purchases and take into consideration such needs as requests of individual fund managers, current cash needs, and asset/liability matching necessary to optimize interest earnings. Interest earnings on Treasurer's Cash Investments are credited to the General Fund.

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the City would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The City deposits funds only with State of Washington financial institutions approved as qualified public depositories by the Washington State Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool. The City's bank balance is insured by the FDIC up to \$250,000 and fully collateralized by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$250,000.

The City's investment policy requires that all investments be held by the City's third party safekeeping agent in the City's name. The City policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank. As of December 31, 2017, all of the \$444.8 million investments in U.S. agency debt obligations were registered, and held by its safekeeping agent in the City's name. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

Investment Policy

City Treasurer Investments

The City's investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the primary objectives of safety and liquidity. Core investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

Authority to manage the City's investment program is derived from Spokane Municipal Code 7.15 which delegates responsibility for the City's investment program to the City Investment Committee and daily management responsibility assigned to the City Treasurer. City investment decisions are governed by the "prudent person rule".

There were no significant investment policy changes during the reporting period.

Employees' Retirement System

The Spokane Employees' Retirement System's (SERS) investment management policy is set by the Board of Administration. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. SERS' investments are governed by the "prudent person rule". SERS investments are categorized by type to give an indication of the level of risk assumed by SERS.

The Board of Administration for SERS maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with investment managers, a custodian, an actuarial firm, an independent investment consultant and an auditor. Investment manager contracts include specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board. The SERS' chief investment officer (CIO), who also serves as the Retirement Director, monitors the fund on a regular basis.

The Spokane Employees' Retirement System's policy regarding the allocation of invested assets is established, and may be amended, by a majority vote of the SERS Board. It is the policy of the SERS Board to pursue an investment strategy that meets the projected return requirements while minimizing volatility by diversifying the portfolio across a broad selection of distinct asset classes. The SERS investment policy limits the use of cash equivalents to meeting liquidity requirements and reviews rebalancing needs at least quarterly. There was no change investment policy during the reporting period.

Firefighters' Pension System

The Firefighters' Trust Fund investments are restricted by RCW 41.16.040 and other RCWs as listed in RCW 41.16.040. Authorized investments include investment grade securities issued by the United States, state, municipal corporations, other public bodies, corporate bonds and other investments authorized by RCW. Per the Board's policy, all fixed income securities shall be investment grade or higher at the time of purchase. The overall portfolio average quality must be A+ or higher. There were no significant investment policy changes during the reporting period.

Police Pension System

The Police Pension System operates on a "pay as you go" basis with all funds provided by the City on an as needed basis. All assets are held in cash to pay monthly pension benefits and all other claims as they are received. There were no significant investment policy changes during the reporting period.

Investments

City Treasurer Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, bankers' acceptances, commercial paper, and repurchase agreements. The pension trust funds operate under different guidelines. City investments and those of the pension trust funds are all reported at fair value. Below is a list of city investment limitations.

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio
US Treasury Securities	5 years	100%
Federal Agency Securities	5 years	90%
Individual Issues	5 years	10%
Individual Agency	5 years	40%
FDIC Guaranteed Senior Debt	5 years	30%
Individual Issuer	5 years	10%
Washington State Local Government Investment Pool	90 Days	100%
Non-Negotiable CDs (PDPC Qualified)	5 years	60%
Individual Issuing Bank	5 years	10%
PDPC Financial Institution Accounts	5 years	10%
Banker's Acceptables (must be A1/P1)	5 years	10%
Individual Banks	5 years	2%
Repurchase Agreements	5 years	25%
General Obligation Debt - State/Local	5 years	10%
City of Spokane Notes/Bonds	5 years	15%
Commerical Paper (must be A1/P1)	5 years	10%
Individual Issuer	5 years	2%

Employees' Retirement System

The SERS Board has an asset allocation policy that includes an allocation to alternative investments. Funding of these limited partnerships began in 2007 and continues on an ongoing basis. The term "alternative investments" encompasses a broad category of investments other than traditional asset classes of equities, fixed income and real estate. Each alternative investment that SERS enters into has been carefully studied by the System's independent investment consultant, reviewed by staff, and approved the Board. The asset allocation study that was modeled by the independent consultant demonstrated that alternative assets can add value to the portfolio over time through diversification and higher expected returns. The CIO and Board believe that the use of alternative investments increases the expected return of the plan compared to investing only in traditional asset classes.

The following table shows the City's cash and investments at December 31, 2017:

Deposit Type	Value
Reconciliation of Restricted/Unrestricted Cash and Investments:	
Cash	\$ 14,969,423
Petty Cash	535,736
Deposits with Fiscal Agents	1,859,498
Investments	444,798,545
	462,163,202

Interest Rate Risk

Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in the market interest rates.

City Treasurer Investments

According to its investment policy, the City manages its exposure to interest rate risk by "purchasing a combination of shorter-term and longer-term investments." The City focuses on timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Employees' Retirement System

Although the SERS Investment Policy does not specifically limit interest rate risk, the System's fixed income portfolio is professionally managed with an expected range of interest rate risk within the portfolio. In addition, the portfolio is closely monitored by the independent consultant and the staff.

Spokane Firefighters' Trust Fund

The Fire investment policy targets that the average portfolio duration will be 2.5 to 5 years, with no duration limits on individual holdings.

Police Pension System

The Police investment policy requires all assets to be held in cash which does not have any interest rate risk.

The City is in compliance with its policies.

The following table shows the City's invested assets and the pension fund assets by investment type, fair value, segmented maturities and by the average effective duration as of December 31, 2017.

		Maturity				
Interest Rate Risk	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)
City Treasurer Investments Categorized						
US Government Agencies	398,756,173	87,232,610	210,172,082	101,351,481	-	4.24
Strip Bonds	46,042,372	9,844,001	4,660,750	21,874,843	9,662,778	6.89
Total investments categorized	444,798,545	97,076,611	214,832,832	123,226,324	9,662,778	
Pension Trust Funds						
Employees' Retirement System						Average Maturity
Fixed Income Mutual Funds	24,686,689	-	24,686,689	-	-	-
Corporate Notes and Bonds	9,291,349	-	3,117,642	2,750,494	3,423,213	12.27
Asset Backed Securities	6,155,812	-	2,245,690	921,726	2,988,396	16.35
Governmental CMOs	2,820,460	-	-	93,155	2,727,305	23.14
Municipal Bonds	1,665,983	-	920,843	555,754	189,386	5.42
Mortgage Backed						
Governmental Passthrough	968,973	-	-	405,601	563,372	18.29
U.S. Government Treasuries	2,616,292	-	1,849,591	-	766,701	9.36
	-	-	-	-	-	-
Total investments categorized	48,205,558	-	32,820,455	4,726,730	10,658,373	
Investments not required to be categorized:						
Cash equivalents	896,869	-	-	-	-	-
Equity securities	158,355,881	-	-	-	-	-
Real estate	27,096,456	-	-	-	-	-
Alternative investments	71,238,891	-	-	-	-	-
Total investments not categorized	257,588,097	-	-	-	-	-
Total Investments	305,793,655	-	32,820,455	4,726,730	10,658,373	
Firefighters' Pension System						
US Government Treasuries	11,953,901	3,188,514	4,254,677	4,510,710	-	Average Maturity
Mortgage Backed Securities						4.34
Government Pass Through	5,512,808	34,662	569,723	3,409,531	1,498,892	10.52
Government CMOs	1,064,431	-	-	284,951	779,480	11.65
Corporate Bonds/Notes	11,109,329	964,476	9,921,726	223,127	-	2.72
Asset Backed Securities	932,286	-	169,958	517,323	245,005	7.31
Total investments categorized	30,572,755	4,187,652	14,916,084	8,945,642	2,523,377	
Investments not required to be categorized:						
Cash equivalents	442,220	-	-	-	-	-
Total investments not categorized	442,220	-	-	-	-	-
Total Investments	31,014,975	4,187,652	14,916,084	8,945,642	2,523,377	
Police Pension System						
Investments not required to be categorized:						
Cash equivalents	27,041	-	-	-	-	-
Total Investments	27,041	-	-	-	-	-

Credit Risk

City Treasurer Investments

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the end of the year 2017 for each type of investment. AAA is the highest rating for bonds. The Bank Certificates of Deposit (CD) and Demand Deposit Accounts (DDA) are protected by the Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. All CD and DDA deposits not covered by FDIC are covered by the Washington State Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority established under the Revised Code of Washington (RCW) 39.58. It constitutes a fully insured or fully collateralized pool.

All securities registered in the City's name carry a minimum rating of Aa2/AA from Moody's and/or Standard and Poor's respectively.

Employees' Retirement System

Although the SERS Investment Policy does not specifically address credit risk, this risk is mitigated by closely monitoring the credit quality ratings of its fixed income portfolios and by setting criteria for fixed income manager selection. SERS' fixed income assets are comprised of one institutional mutual fund and one separately managed account targeting different levels of credit risk.

Spokane Firefighters' Trust Fund

The Fire investment policy requires that all fixed income securities shall be investment grade or higher at the time of purchase. Specifically, fixed income securities shall not be rated lower than BBB- by Standard & Poor's rating at the time of purchase and any securities subsequently downgraded require specific written permission to hold. The average quality for the overall portfolio must be A+ or higher.

Police Pension System

The Police investment policy requires that all assets are held in cash which bears no credit risk.

The City is in compliance with its policies.

The following table shows the City's internal investment pool assets and the Pension Fund assets by credit rating and fair value as of December 31, 2017.

				Investment Credit Rating				
Investment Type	Fair Value	AAA	AA+	A	BBB	BB	B	Not Rated
Spokane Investment Pool								
US Government Agencies	398,756,173		397,290,041	-	-	-	-	1,466,132
Strip Bonds	46,042,372		7,322,454	-	-	-	-	38,719,918
Total	444,798,545	-	404,612,495	-	-	-	-	40,186,050
Employees' Retirement System								
Fixed Income Mutual Funds	24,686,689	-	-	-	-	-	-	24,686,689
Corporate Notes and Bonds	9,291,350	60,648	275,908	2,865,273	5,948,580	-	-	140,941
Asset Backed Securities	6,155,812	2,546,849	525,655	-	-	-	-	3,083,308
Governmental CMOs	2,820,460	-	93,155	-	-	-	-	2,727,305
Municipal Bonds	1,665,983	74,906	1,334,570	26,055	31,364	-	-	199,088
Mortgage Backed								
Governmental Passthrough	968,972	159,728	-	-	-	-	-	809,244
U.S. Government Treasuries	2,616,292	-	-	-	-	-	-	2,616,292
Total	48,205,558	2,842,131	2,229,288	2,891,328	5,979,944	-	-	34,262,867
Firefighters' Pension System								
US Government Treasuries	11,953,901	-	11,953,901	-	-	-	-	-
Mortgage Backed Securities								
Government Pass Through	5,512,807	-	5,512,807	-	-	-	-	-
Government CMOs	1,064,430	-	1,064,430	-	-	-	-	-
Corporate Bonds/Notes	11,109,330	-	452,856	5,321,409	5,335,065	-	-	-
Asset Backed Securities	932,287	-	360,849	571,438	-	-	-	-
Total	30,572,755	-	19,344,843	5,892,847	5,335,065	-	-	-

Concentration of Credit Risk

City Treasurer Investments

Concentration risk disclosure is required for all investments in any one issue that is five percent or more of the total of the City's investments. The following include Financial, State, or Municipal Government and Government Sponsored Agencies. The City did not have any holdings in organizations that represent five percent or more of the City's total investments.

Employees' Retirement System

SERS' has no holdings by an issuer that represent five percent or more of SERS' investments. SERS holdings in organizations that manage five percent or more of the Plan's net assets at December 31, 2017 were:

Organization	% of Net Position
City of Spokane Employees' Retirement System	
Hotchkis & Wiley	12.9%
Sterling Capital Management	9.6%
Artisan Partners	7.0%
American Funds	7.0%
Vanguard Funds	6.6%
MFS Investment Management	5.9%
Jackson Square	5.2%
Evanston Capital Management	5.0%
OrbiMed Advisors	5.0%

Firefighters' Pension System

The Firefighters' Trust Fund holdings in issuers that represent five percent or more of the Plan's net assets at December 31, 2017 were:

Organization	% of Net Position
City of Spokane Firefighter's Pension System	
US Treasury Notes	38.5%
Fannie Mae	17.3%
Freddie Mac	2.2%

Police Pension System

The Police Pension System did not have any holdings in organizations that represent five percent or more of the System's fiduciary net position.

Foreign Currency Risk

City Treasurer Investments

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

The City investment policy requires all assets to be held in US Dollars. At December 31, 2017, there were no holdings exposed to foreign currency risk.

Employees' Retirement System

At December 31, 2017, 25.6% of the System's portfolio is invested in foreign issued securities, which primarily consist of equities, fixed income and alternative investments. The SERS Investment Policy does not specifically address foreign currency risk; however, the System considers foreign currency risk during the selection and monitoring process of fund managers. The fair value of the foreign investments as of December 31, 2017 was:

Category	Total Investments	US Issues	Foreign Issues	% Foreign
Cash	896,869	896,869	-	0.00%
Fixed Income	48,205,558	47,159,628	1,045,930	2.20%
Equities	158,355,881	96,908,156	61,447,725	38.80%
Real Estate	27,096,456	26,857,023	239,433	0.90%
Alternatives	71,238,891	55,571,112	15,667,779	22.00%
Total	305,793,655	227,392,788	78,400,867	25.60%

Spokane Firefighters' Trust Fund

The Fire investment policy does not allow investments in foreign issuances. At December 31, 2017, there were no holdings exposed to foreign currency risk.

Police Pension System

The investment policy requires all asset to be held in US Dollars. At December 31, 2017, there were no holdings exposed to foreign currency risk.

Spokane Investment Pool

This is an internal investment pool that is utilized for the investment of funds at the fund level. Fund ownership is measured by the actual amount of funds invested. The investment strategy is at the directive of the Chief Financial Officer. The interest earnings of the pool are allocated across the Special Revenue (excluding specific grant related funds), Debt Service, Capital Project, Internal Service and Enterprise Funds based on the average book value of fund investments multiplied by the average of the last 84 months of the State LGIP's monthly rate. The General Fund and Grant Related funds excluded above receive the full calculated rate of the pool with any excess earnings being allocated directly to the General Fund. Unrealized Gains and losses are allocated based on the percentage of book value owned by the funds that are selected to participate. In 2017 the selected funds were Treasurer's Cash, General Fund, CDBG Revolving Loan Fund, Misc. Community Development Grant Fund, and the Park Bond Fund.

Fair Value Measurement

The city categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. In accordance with GASB Statement 72 – Fair Value Measurement and Application, the following hierarchy is utilized:

- Level 1 – Quoted prices for an identical asset in an active market
- Level 2 – Market value where prices are determined using observable inputs
- Level 3 – Market value where prices are determined using unobservable inputs

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fixed income and equity investments classified as Level 1 in the fair value hierarchy are valued directly from a predetermined primary external pricing vendor.

Investments classified as Level 2 represent proportional ownership in a Collective Investment Trust (CIT). All assets in the CIT have observable prices in active markets, with the fair value of the CIT representing a proportionate share of all underlying assets held in the CIT.

The following table presents fair value measurements as of December 31, 2017:

Investment by fair value level	12/31/2017	Investments by Fair Value Level			(NAV)
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Spokane Investment Pool					
US Government Agencies	398,756,173	398,756,173	-	-	-
Strip Bonds	46,042,372	46,042,372	-	-	-
Total	444,798,545	444,798,545	-	-	-
Pension Trust Funds					
Employees' Retirement System					
Cash Equivalents	896,869	896,869	-	-	-
Total Cash Equivalents	896,869	896,869	-	-	-
US Government	6,405,724	6,405,724	-	-	-
US Corporate Fixed Income	8,476,057	8,476,057	-	-	-
International Fixed Income	815,293	815,293	-	-	-
Asset Backed Securities	6,155,812	6,155,812	-	-	-
Municipal Bonds	1,665,983	1,665,983	-	-	-
Fixed Income Mutual Funds	24,686,689	24,686,689	-	-	-
Total Fixed Income	48,205,558	48,205,558	-	-	-
US Common Stock	20,973,308	20,973,308	-	-	-
International Common Stock	937,517	937,517	-	-	-
Equity Mutual funds	112,771,785	112,771,785	-	-	-
Total Equities	134,682,610	134,682,610	-	-	-
Real estate	17,100,122	-	-	-	17,100,122
Alternative investments	104,908,496	-	18,144,669	-	86,763,827
Total - All Investments	305,793,655	183,785,037	18,144,669	-	103,863,949
Firefighters' Pension System					
US Government Treasuries	11,953,901	11,953,901	-	-	-
Mortgage Backed Securities					
Government Pass Through	5,512,808	5,512,808	-	-	-
Government CMOs	1,064,430	1,064,430	-	-	-
Corporate Bonds/Notes	11,109,329	11,109,329	-	-	-
Asset Backed Securities	932,287	932,287	-	-	-
Total	30,572,755	30,572,755	-	-	-

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below:

Investment Category	Net Asset Value (NAV)	Unfunded Commitments	Redemption Frequency	Redemption Notice
Equity Fund	15,524,935	-	Monthly, Annually	15-90 Days
Long/Short Hedge Fund	32,131,411	-	Quarterly	60-65 Days
Real Estate Fund	17,100,122	2,324,152	N/A	N/A
Absolute Return Hedge Fund	23,427,529	-	Monthly, Quarterly, Semi-Annually	30-45 Days
Closed-End Hedge Fund	5,385,761	2,125,357	N/A	N/A
Fixed Income Fund	10,294,191	-	Quarterly	90 Days
Total	103,863,949	4,449,509		

Equity Fund: One international fund and one US fund that invest long-only in less liquid markets seeking to capture an illiquidity premium. The international fund is a fund of funds and is valued based on the net asset value provided for each of the underlying units. The US fund unit net asset value is based on the value of the underlying holdings.

Long/Short Hedge Fund: Three funds that invest long and short to generate outsize risk-adjusted returns. Two funds are valued at net asset value of units held based on underlying holdings. One fund is a fund of funds and is valued based on the net asset value provided for each of the underlying units.

Real Estate Fund: Five funds that invest primarily in commercial real estate properties and debt instruments. The fair values of these funds has been determined using net assets valued based on the appraised value of the holdings. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

Absolute Return Hedge Fund: Four funds that seek to generate consistent positive returns with low volatility and low net market exposure. Each fund's unit net asset value is based on the value of the underlying holdings.

Closed-End Hedge Fund: One fund that invests primarily in medical royalty streams or securities associated with the royalties. The fair value of the funds is determined using discounted cash flow models based on expected future cash flows. The fund is not eligible for redemption. Distributions are received as underlying investments within the funds generate cash flows, which on average can occur over the span of 5 to 10 years.

Fixed Income Fund: One fund that invests in less liquid or distressed debt securities. The US fund unit net asset value is based on the value of the underlying holdings.

Note 3

Property Taxes

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. The county assessor is responsible for determining what the individual property taxes are, based upon the monies requested by the taxing districts and the assessed valuation within these districts. The property tax timeline is as follows:

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments due
May 31	Assessed value of property established for next year's levy at 100% of market value
October 31	Second of two equal installment payments due

In governmental funds, property taxes are recorded as receivables when levied, offset by a deferred inflow of resources. Property taxes collected within 60 days after year-end are considered measurable and available and are recognized as revenues in the fund statements. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. Special levies approved by the voters are not subject to the limitations listed above. The following special levies exist:

- Emergency Medical Services
- General Obligation Bonds
- Park Bond (UTGO 2015 Bond)

The following table reflects the levy amounts and tax assessments that will be collected in the subsequent year. See additional information in Schedule 6 of the statistical section.

Property Tax Levy Type	Total Levy (in thousands)	Amount per \$1,000 Assessed Valuation
Regular	57,752	3.464183
EMS	8,336	0.500000
Bond	3,162	0.195763
Park Bond	2,348	0.142142
Total	71,597	4.302088

Note 4

Capital Assets

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

Capital Assets	Jan 01, 2017 Beginning Balance	Increases	Decreases	Dec 31, 2017 Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	836,772,379	2,658,153	(8,518)	839,422,014
Construction in progress	38,802,409	22,875,015	(25,095,430)	36,581,994
Total capital assets, not being depreciated	875,574,788			876,004,008
Capital assets, being depreciated:				
Buildings	87,570,999	5,833,636	(424,004)	92,980,631
Accumulated depreciation	(42,036,559)	(2,950,013)	63,397	(44,923,175)
Net buildings	45,534,440			48,057,456
Other improvements	89,126,277	7,387,263	(123,758)	96,389,782
Accumulated depreciation	(40,809,014)	(4,204,681)	101,269	(44,912,426)
Net other improvements	48,317,263			51,477,356
Machinery and equipment ¹	98,975,596	6,889,178	(4,441,826)	101,422,948
Accumulated depreciation ¹	(64,966,563)	(6,279,304)	3,210,754	(68,035,113)
Net machinery and equipment ¹	34,009,033			33,387,835
Infrastructure ¹	1,051,528,272	42,453,914	(6,107,773)	1,087,874,413
Accumulated depreciation	(516,516,986)	(23,812,540)	3,542,281	(536,787,245)
Net infrastructure ¹	535,011,286			551,087,168
Intangible assets	5,299,084	150,938	-	5,450,022
Accumulated amortization	(1,744,438)	(340,113)	-	(2,084,551)
Net intangible assets	3,554,646			3,365,471
Total Capital assets, being depreciated (net)¹	666,426,667			687,375,286
Governmental Activities, Capital Assets (net)¹	1,542,001,455			1,563,379,294
¹ Beginning Balance Restated				

Capital Assets		Jan 01, 2017 Beginning Balance		Increases		Decreases		Dec 31, 2017 Ending Balance
BUSINESS-TYPE ACTIVITIES cont.								
Capital assets not being depreciated								
Land	\$	\$ 13,849,811	\$	702,166	\$		\$	14,551,977
Construction in progress		\$ 63,264,430		83,401,380		(22,066,887)		124,598,922
Total capital assets, not being depreciated		77,114,241						139,150,899
Capital assets, being depreciated:								
Buildings		319,791,844		2,195,275				321,987,119
Accumulated depreciation		(194,512,828)		(9,245,704)		-		(203,758,532)
Net buildings		125,279,016						118,228,587
Other improvements		104,808,712		2,181,882		-		106,990,594
Accumulated depreciation		(48,840,156)		(6,409,273)		-		(55,249,429)
Net other improvements		55,968,556						51,741,165
Machinery and equipment		150,375,852		7,541,744		(2,901,889)		155,015,707
Accumulated depreciation		(90,094,542)		(8,447,861)		2,843,597		(95,698,806)
Net machinery and equipment		60,281,310						59,316,901
Infrastructure		550,300,864		21,451,462		(850,127)		570,902,199
Accumulated depreciation		(171,251,762)		(9,373,980)		487,255		(180,138,487)
Net infrastructure		379,049,101						390,763,711
Intangible assets		113,766		-		-		113,766
Accumulated amortization		(79,636)		(2,275)		-		(81,911)
Net intangible assets		34,130						31,855
Total Capital assets, being depreciated (net)		620,612,114						620,082,220
Business-Type Activities, Capital Assets (net)	\$	\$ 697,726,355					\$	759,233,119
DEPRECIATION								
Governmental Activities:								
General government						\$		1,233,980
Judicial								135,689
Public safety								5,532,071
Transportation								25,036,931
Economic environment								740,170
Social Services								212,168
Culture and recreation								4,695,642
Total Depreciation Expense - Governmental Activities						\$		37,586,651
Business-Type Activities:								
Water/Sewer						\$		22,323,177
Solid Waste								10,730,038
Other								425,877
Total Depreciation Expense - Business-Type Activities						\$		33,479,092

Note 5

Pension Plans

A. GENERAL

The City administers three single-employer, defined benefit retirement plans:

- Spokane Employees' Retirement System (SERS)
- Spokane Firefighters' Pension
- Spokane Police Relief and Pension

The Law Enforcement Officers' and Fire Fighters' (LEOFF) system is a contributory multi-employer cost-sharing system operated by the State of Washington.

B. PLAN DESCRIPTIONS

Spokane Employees' Retirement System

The Spokane Employees' Retirement System (SERS) is a single employer defined benefit pension plan covering employees of the City of Spokane, administered in accordance with Chapters 3.05 and 4.14 of the Spokane Municipal Code (SMC).

SERS is a pension trust fund of the City of Spokane and is presented within the fiduciary funds of the City's comprehensive annual financial report. SERS has separate legal standing. The City is financially accountable for SERS because a financial burden is imposed on the City using the criteria of financial accountability. SERS has determined that there are no entities that require inclusion within its financial statements.

All permanent employees of the City, including employees of the Plan, are required to join SERS with the exception of elected official who have the option to join SERS and police or firefighters who are members of the Washington State Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

Management of SERS is vested in the SERS Board, which consists of seven members—three members are elected by active employee plan members, three members are appointed by the Spokane City Council, and one member (who may not be an elected official or employee of the city) is appointed by the other six Board members.

SERS provides retirement, death, and disability benefits. All employees hired before January 1, 2009, who participate in SERS, are eligible for service retirement after completing five years of service if they are age 50 or older. Their retirement benefits are calculated by multiplying 2.15% of the member's highest consecutive two-year average salary by the member's years of creditable service, not to exceed 64.50%. Employees hired prior to January 1, 2009, have a choice at retirement of choosing a 2.15% multiplier with a service cap of 30 years or a 2.00% multiplier with a service cap of 35 years.

All employees hired on or after January 1, 2009, who participate in SERS, are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age, plus years of service, equal to 75 or reach the normal retirement age of 62. Their retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive two-year average salary by the member's years of creditable service, to a maximum of 70.00%.

All employees hired on or after January 1, 2015, who participate in SERS, are eligible for service retirement after completing seven years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 80 or reach the normal retirement age of 65. Their retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive three-year average salary by the member's years of creditable service, to a maximum of 70.00%.

All employees hired on or after January 1, 2018, who participate in SERS, are eligible for service retirement after completing seven years of service and reach the normal retirement age of 65. Early retirement, with no reduction of benefits, may be elected when an employee's age plus years of service equal to 90 before or if they are age 50 or older and have completed 30 years of service. A reduced early retirement may be elected with benefits reduced by 2.5% per year for each year before the retiree would be eligible for full retirement. Their retirement benefits are calculated by multiplying 2.00% by the member's years of creditable service times the member's highest consecutive three-year average salary, with an annual cap on overtime plus base pay equal to 120% of base pay. The maximum of retirement factor is 80.00%

For all employee groups, benefits may be reduced on an actuarially equivalent basis according to the retirement annuity option selected for themselves and their beneficiaries.

The SERS Board of Administration considers issuing an ad hoc adjustment for retiree benefits each year. The Board can grant an ad hoc adjustment if the AAL funded ratio is 90% or greater and remains above 90% after the ad hoc adjustment is granted. The AAL funded ratio was less than 90% as of December 31, 2017. The last ad hoc retiree adjustment occurred in 2001. Based on the current AAL funded ratio, it will take continued significant favorable experience in the investment markets or a future increase in contribution levels to raise the funded ratio above the ad hoc threshold.

Firefighters' Pension System

The Firefighters' Pension System is a single-employer defined benefit pension plan established and administered by the City in accordance with the requirements of the Revised Code of Washington.

The plan provides retirement and medical benefits to all firefighters who were hired prior to March 1, 1970 (Pre-LEOFF officers). Firefighters hired on or after March 1, 1970 but before October 1, 1977, (LEOFF 1 officers) receive their pensions from the State of Washington and medical coverage from the City of Spokane. Firefighters hired after October 1, 1977 (LEOFF 2 officers) are not covered by these plans. According to RCW 41.26.090, "[a]ny member having five or more service credit years and having attained the age of fifty years shall be eligible for a service retirement allowance and shall be retired upon the member's written request effective the first day following the date upon which the member is separated from service."

The plan provides death, disability, and medical benefits. The City is responsible for the medical expenses for active and retired employees covered under this plan.

The Board consists of five members—the Mayor or his/her designated representative who shall be an elected official of the City, the City Clerk, the Chairperson of finance of City Council and two regularly employed or retired firefighters. The two firefighters select a third eligible member who serves as an alternate in the event of the absence of one of the firefighters.

The Firefighters' Pension Board was established pursuant to the authority of RCW 41.16.020, and its powers, duties and responsibilities are established by state law.

Police Relief and Pension System

The Police Relief and Pension System is a single-employer defined benefit pension plan established and administered by the City in accordance with the requirements of the Revised Code of Washington.

The plan provides retirement and medical benefits to all uniformed police who were hired prior to March 1, 1970 (Pre-LEOFF officers). Police hired on or after March 1, 1970 but before October 1, 1977 (LEOFF 1 officers), receive their pensions from the State of Washington and medical coverage from the City of Spokane. Police hired after October 1, 1977 (LEOFF 2 officers) are not covered by these plans. According to RCW 41.26.090, "[a]ny member having five or more service credit years and having attained the age of fifty years shall be eligible for a service retirement allowance and shall be retired upon the member's written request effective the first day following the date upon which the member is separated from service."

The plan provides death, disability, and medical benefits. The City is responsible for the medical expenses for active and retired employees covered under this plan.

The Board consists of seven members—the Mayor or his/her designated representative who shall be an elected official of the City, the Council President, the City Clerk, the City Treasurer and three active or retired members of the Police Department.

The Police Pension Board was established pursuant to the authority of RCW 41.20.010 and its powers, duties and responsibilities are established by state law.

Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plans 1 and 2

LEOFF was established in 1970 by the State Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
More than 10 but less than 20 years	1.5%
More than 5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

LEOFF 2

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other 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. LEOFF 2 members are vested after the completion of five years of eligible service.

Plan Membership

Membership of each City administered plan as well as the LEOFF plans in which the city is a contributing employer, as of the last actuarial valuation, is as follows:

Plan	Inactive Members or Beneficiaries Receiving Benefits	Inactive Members Entitled To But Not Receiving Benefits	Active Plan Members	Total Members	Membership as of the latest actuarial valuation
Employees' Retirement System	1,376	113	1,444	2,933	12/31/2017
Firefighters' Pension System	261	-	1	262	12/31/2017
Police Pension System	203	-	1	204	12/31/2017
Total	1,840	113	1,446	3,399	

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

For purposes of measuring the net pension liability, deferred outflows/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's pension plans and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, employee and employer contributions are recorded as revenues in the period in which payroll is due and benefit payments, including refunds of employee contributions, are recognized when due and payable. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Investments are reported at fair value.

Stand Alone Statements

The methods and assumptions required for financial reporting are the same methods and assumptions used in determining a plan's funding requirement and are described in the publicly available actuarial reports for the three pension plans administered by the City of Spokane. Those stand alone statements for the SERS retirement system may be obtained by writing to the Retirement Department, City Hall, 808 West Spokane Falls Blvd, Suite 604, Spokane, Washington, 99201 or by calling (509) 625-6330.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

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

Use of Estimates

Management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at year end, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. DEPOSITS AND INVESTMENTS

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested is presented in a table below for all plans.

SERS, Firefighters', and Police Pension

The long-term expected rate of return on pension plan investments was determined using statistical methods to determine the best-estimate future real rate of return (net of pension plan investment expense and inflation)

based on long-term performance of the major asset classes. These returns are used to determine the estimated portfolio return based on the target asset allocation percentage of each asset class.

LEOFF 1 & 2

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, is shown in the table below:

	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
Rate of return	15.40%	2.17%	n/a	13.95%	14.14%

Estimated Rates of Return

Below are the estimated real rates of return for the various pension plans as of December 31, 2017:

Long-Term Expected Real Rate of Return	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
Global equity	6.00%	-	-	6.30%	6.30%
US fixed income	1.50%	1.50%	-	1.70%	1.70%
Long Biased	4.00%	-	-	-	-
Opportunistic Credit	7.00%	-	-	-	-
Real estate	2.20%	-	-	5.80%	5.80%
Private equity	-	-	-	9.30%	9.30%
Tangible assets	-	-	-	4.90%	4.90%

¹The inflation component used to create the table is 2.2 percent and represents the Washington State Investment Board's most recent long-term estimate of broad economic inflation.

Investments

Each plan's investments may be used only for the benefit of the members of that plan in accordance with the terms of the plan.

No investments were made in loans to or leases with any Plan official, government employer official, or party related to a Plan official.

Spokane Employees' Retirement System

The SERS investment management policy is set by the Board of Administration. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. SERS' investments are governed by the "prudent person rule." The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the System. SERS' investments are categorized by type to give an indication of the level of risk assumed by the System.

Investments of the pension trust funds are reported at fair market value. The Board of Administration maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with investment managers, a custodian, an independent investment consultant and an auditor. Investment manager contracts include specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board. The SERS' Retirement Director monitors the fund on a regular basis.

The Board has an asset allocation policy that includes an allocation to alternative investments. Funding of these limited partnerships began in 2007 and continues on an ongoing basis. The term "alternative investments" encompasses a broad category of nontraditional investments. Each alternative investment that SERS enters into has been carefully studied by the System's independent investment consultant, has been reviewed by staff, and approved the Board. The asset allocation study that was modeled by the independent consultant demonstrated that alternative assets can add value to the portfolio over time through diversification and higher expected returns. The Retirement Director and Board believe that the use of alternative investments increases the expected return of the plan compared to investing only in traditional asset classes.

Firefighters' Pension System

The investment management policy is set by the Board of Administration. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. Investments are governed by the "prudent person rule." The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the System.

Investments of the trust funds are reported at fair market value. The Board of Administration maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with an investment manager, a custodian, and an independent investment consultant. The investment manager contract includes specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides annual reports to staff and the Board. The Retirement Director monitors the fund on a regular basis.

Police Relief and Pension System

The Police Pension System assets are held in cash to pay monthly pension benefits and all other claims as they are received. The Police System is funded by property taxes that are irrevocable once contributed.

Target Asset Allocations

The target asset allocations as of December 31, 2017 were:

Target Allocation	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
Global equity	50%	-	-	37%	37%
US fixed income	-	100%	-	20%	20%
Global fixed income	15%	-	-	-	-
Long/short and special opportunities	14%	-	-	-	-
Absolute return	10%	-	-	-	-
Real estate	6%	-	-	15%	15%
Private equity	-	-	-	23%	23%
Commodities	4%	-	-	-	-
Tangible assets	-	-	-	5%	5%
Cash	1%	-	-	-	-
	100%	100%	0%	100%	100%

Methods Used to Value Investments

All fixed income, common stock, and short-term investments are reflected in the Statement of Fiduciary Net Position and are listed at fair market value. Fixed income securities and common stock traded on national exchanges are valued at the last reported sales price. This market value methodology of pricing is performed by Interactive Data Corporation on a daily basis. Bloomberg and Merrill Lynch are also pricing sources. Investments that do not have an established market are reported at estimated fair value.

Certain investments, such as mutual funds and limited partnerships, deduct their management fees before the fund itself reports net investment income for the period. These investment expenses are netted against investment income in the Statement of Changes in Fiduciary Net Position to arrive at a net investment income amount.

Investments are exposed to various risks, such as interest rate, market, credit, and regulatory risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect total net position and the amounts reported in the Statement of Fiduciary Net Position. See Note 2 for additional information related to interest rate and credit risk.

E. NET PENSION LIABILITY

The components of the net pension liability was calculated based on the actuarial reports dated December 31, 2017 for SERS, Firefighters' and Police, and dated as of June 30, 2017 for LEOFF Plan 1 & 2 are shown in the table below.

Net Pension Liability					
Component	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
Total pension liability	523,734,979	17,642,583	7,666,992	40,269,243	209,958,282
Plan fiduciary net position	277,331,781	16,263,049	763,352	54,749,758	238,004,241
LESS (Public Facilities District)	(601,330)	-	-	-	-
Net pension liability (asset)	245,801,868	1,379,534	6,903,640	(14,480,515)	(28,045,959)
Plan fiduciary net position as a % of total pension liability	53.01%	92.18%	9.96%	135.96%	113.36%
¹ Total pension liability (TPL) calculated by the Office of the State Actuary (OSA)					

The amount of the asset reported above for LEOFF Plans 1 and 2 reflect a reduction for State pension support provided to the City of Spokane. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City of Spokane were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(14,480,515)	(28,045,959)
State's proportionate share of the net pension asset associated with the employer	(97,945,841)	(18,192,889)
TOTAL	(112,426,355)	(46,238,848)

At December 31, 2017 the City of Spokane's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 12/31/16	Proportionate Share 12/31/17	Change in Proportion
LEOFF 1	0.964248%	0.954411%	-0.009837%
LEOFF 2	2.036087%	2.021074%	-0.015013%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed

87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.65 percent of employer contributions.

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

F. ACTUARIAL ASSUMPTIONS

SERS, Firefighters & Police Pension Systems

The total net pension liability was determined by an actuarial evaluation using the following actuarial assumptions, applied to all periods in the measurement. For all three plans, the measurement date was December, 31, 2016.

LEOFF 1 & 2

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

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

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

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

- For all systems, except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- The average expected remaining service lives was revised. It used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

	Employees' Retirement System	Firefighters' Pension System	Police Pension System	LEOFF 1	LEOFF 2
Valuation date	12/31/2017	12/31/2017	12/31/2017	6/30/2016	6/30/2016
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	frozen initial liability	aggregate
Amortization method					
Funding	Level % of pay over not more than 30 years	30-year, closed as of January 1, 2007	30-year, closed as of January 1, 2007	level %	n/a
Remaining amortization years (closed)	21	20	20	8	n/a
Asset valuation method	Expected value method with 5-year smoothing and 90-110% market value corridor	Fair market value	Fair market value	8-year graded smoothed fair value	Fair market value
Actuarial assumptions					
Investment rate of return	7.5%	4.0%	3.0%	7.70%	7.50%
Projected salary increases ²	2.0-12.0%	2.5%	2.5%	3.75%	3.75%
Economic inflation	3.0%	2.5%	2.5%	3.00%	3.00%
Cost of living adjustments	0.0%	Based upon 3.5% increase assumption when appropriate, for FPF benefits.	Based upon 3.5% increase assumption when appropriate, for PPF benefits.	CPI Increase	CPI Increase maximum 3%
		Based upon inflation assumption for some FPF benefits and all LEOFF benefits.	Based upon inflation assumption for some PPF benefits and all LEOFF benefits.		
Mortality	RP - 2000 Fully Generational Mortality Tables	RP-2000 Mortality Tables	RP-2000 Mortality Tables	RP-2000 Mortality Tables, Combined Healthy Table and Combined Disabled Table	RP-2000 Mortality Tables, Combined Healthy Table and Combined Disabled Table
² Expected to grow by promotions and longevity for LEOFF 1 and 2					

G. DISCOUNT RATE

Spokane Employees' Retirement System

The discount rate used to measure the total pension liability was 7.5% . The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current 8.25% contribution rate and that city contributions will be made at the same rate. At the end of 2017, a new tier was added to the Plan that will reduce the normal cost for employees hired on or after January 1, 2018. In addition, the contribution rate for all participants and the City increased to 9.0% on December 17, 2017. The contribution rate is now tied to the Actuarially Determined Contribution (ADC) rate as determined by the Plan's actuary in the annual valuation. These changes were sufficient to eliminate the projected depletion of assets and return the discount rate to the 7.50% assumed rate of return.

Firefighters' Pension System

The discount rate used to measure the total pension liability was 3.0%. This discount rate was used for calculations pursuant to GASB 67 as the plan assets are not projected to be depleted prior to payment of the final benefits.

Police Relief and Pension System

The discount rate used to measure the total pension liability was 3.0%. This discount rate was used for calculations pursuant to GASB 67 as the plan assets are not projected to be depleted prior to payment of the final benefits.

LEOFF 1 & 2

The discount rate used to measure the total pension liability was 7.50 %. To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability calculated using the blended discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Net Pension (Asset) Liability Sensitivity to the Discount Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
SERS ¹	308,477,570	246,403,198	193,927,544	5.75%
Firefighters'	3,180,166	1,379,534	(166,238)	4.00%
Police	7,581,375	6,903,640	6,313,247	3.00%
LEOFF 1	(10,741,142)	(14,480,515)	(17,691,783)	7.50%
LEOFF 2	6,069,103	(28,045,959)	(55,841,486)	7.50%

¹SERS data includes amount related to the Public Facilities District, of the current discount \$601,330 is PFD

H. PENSION EXPENSE

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

Pension Expense			
Description	SERS	Firefighters'	Police
Service Cost	12,896,547	-	-
Interest Cost	27,443,176	815,109	276,832
Benefit Changes	-	-	-
Experience loss (gain)	2,063,574	(2,959,170)	(1,525,979)
Change in Assumptions	(2,423,711)	-	-
Contributions-Employer	-	-	-
Contributions-Employee	(7,586,362)	-	-
Net Investment Income:			
Expected Return on Investments	(19,981,155)	(621,095)	(20,676)
Investment (gain) loss expensed	635,776	73,745	4,135
Investment (gain) loss deferred	-	-	-
Benefits paid, including refunds of employee contributions	-	-	-
Administrative Expense	477,252	15,482	17,458
Amortization	10,556,539	(87,677)	(107,457)
Other Changes	-	-	-
Total Pension Expense	24,081,636	(2,763,606)	(1,355,687)
LESS (Public Facilities District)	(58,770)	-	
Total Pension Expense	24,022,866	(2,763,606)	(1,355,687)

For the year ended December 31, 2017 the City recognized pension expense for the following state plans:

Pension Expense	
LEOFF I	(2,190,598)
LEOFF II	923,292
TOTAL	(1,267,306)

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension

liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. City contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

At December 31, 2017, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources.

	SERS		Firefighters'		Police	
	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	19,466,622	-	669,891	-	36,523
Change of Assumptions	(12,088,980)	-	-	-	-	-
Differences Between Expected and Actual Experience	-	24,750,534	(1,594,352)	-	(886,699)	-
Change in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	43,920	-	-	-	-
City Contributions Subsequent to the Measurement Date	-	-	-	-	-	-
Total	(12,088,980)	44,261,076	(1,594,352)	669,891	(886,699)	36,523

	LEOFF 1		LEOFF 2	
	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(1,345,576)	-	(6,296,515)	-
Change of Assumptions	-	-	-	33,772
Differences Between Expected and Actual Experience	-	-	(1,063,550)	1,232,673
Change in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-	(184,128)	154,515
City Contributions Subsequent to the Measurement date				1,765,968
Total	(1,345,576)	-	(7,544,193)	3,186,928

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other

amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Amortization of Deferred (Inflows) and Deferred Outflows							
	SERS			Firefighters'		Police	
Recognition Period (Years)	6.0	6.0	5.0	0.00	5.0	10.67	5.0
Year	(Inflow)	Outflows	Outflows	(Inflows)	Outflows	(Inflows)	Outflows
2018	(2,417,796)	6,517,743	6,702,374	(229,073)	215,141	(115,606)	12,284
2019	(2,417,796)	6,517,743	6,702,374	(229,073)	215,141	(115,606)	12,284
2020	(2,417,796)	6,517,744	5,460,632	(229,073)	165,863	(115,606)	7,819
2021	(2,417,796)	3,138,903	645,162	(229,073)	73,746	(115,606)	4,136
2022	(2,417,796)	2,058,402	-	(229,073)	-	(115,606)	-
Thereafter	-	-	-	(448,985)	-	(308,668)	-
Total Deferred (Inflows)/Outflows	(12,088,980)	24,750,534	19,510,542	(1,594,352)	669,891	(886,699)	36,523

Amortization of Deferred (Inflows) and Deferred Outflows				
	LEOFF 1		LEOFF 2	
Recognition Period (Years)	5.0	5.0	5.0	5.0
Year	(Inflows)	Outflows	(Inflows)	Outflows
2018	(844,463)	-	(3,344,485)	412,152
2019	227,751	-	203,227	412,152
2020	(90,946)	-	(884,030)	412,152
2021	(637,918)	-	(2,898,455)	114,952
2022	-	-	(110,795)	12,288
Thereafter	-	-	(509,655)	57,264
Total Deferred (Inflows)/Outflows	(1,345,576)	-	(7,544,193)	1,420,960

J. FUNDING POLICIES

The tables at the end of this section provide the actual contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of December 31, 2017.

Spokane Employees' Retirement System

Member and employer contribution rates are established by SMC Chapter 4.14. The funding of SERS is currently based on the entry age normal method. SERS funding objective is to achieve and maintain an actuarial liability funded status between 90% and 110%. Member contributions are 8.25% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 8.25% of eligible compensation for a combined total of 16.50%. Effective December 17, 2017, the annual Contribution Rate was changed to a combined total of 18.00%. Member contributions are 9.0% of eligible compensation and the City contributes 9.0% of eligible compensation. It is contemplated that the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth. Combined contributions from employees and the employer were \$16.2 million in 2017 and \$15.2 million in 2016.

There are no long-term contracts for contributions outstanding and no legally required reserves.

Firefighters' Pension System

The City of Spokane is obligated by ordinance and RCW to make all required contributions to the plans. The major sources of funding for the Firefighters' Pension fund are property taxes, investment earnings, and the State fire insurance premium tax. Currently, there are no required employee contributions made to these pension plans.

The plan is partially funded with \$31.5 million in total net assets, including those available for other post-employment benefits (see Note 6).

Police Relief and Pension System

The City of Spokane is obligated by ordinance and RCW to make all required contributions to the plans. The major sources of funding for the Police Pension fund is local retail sales and use tax. Currently, there are no required employee contributions made to these pension plans.

Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plans 1 and 2

LEOFF 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The City's actual contributions to LEOFF 2 were \$3.38 million for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2017, the state contributed \$62.1 million to LEOFF Plan 2. The amount recognized by the City for its proportionate share of this amount is \$2.0 million.

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2017.

The required contribution rates expressed as a percentage of current-year covered payroll as of December 31, 2017 are as follows:

Actual Contribution Rates	Employer	Employee
Employees' Retirement System ¹	8.25%	8.25%
Firefighters' Pension System	0.16%	0.00%
Police Pension System	0.16%	0.00%
LEOFF 1 ²	0.18%	0.00%
LEOFF 2 ²	5.23%	8.41%
¹ Effective December 17, 2017, SERS annual contribution rate was changed to 18.00% of payroll (9.0% paid by employee, 9.0% paid by payroll).		
² The employer rate includes the employer administrative expense fee currently let at 0.18%		

K. EMPLOYER CONTRIBUTIONS PAID

The following table presents the City's contributions to cost-sharing plans in accordance with the funding policy. There are no long term contracts for contributions for any of the retirement plans administered by the City.

Actual Contributions	2017	2016	2015 Restated	2014
Employees' Retirement System	8,113,319	7,586,362	7,398,945	6,822,279
Firefighters' Pension System	1,905,555	2,137,287	2,314,579	1,515,765
Police Pension System	667,111	766,915	707,300	837,804
LEOFF 1	-	-	-	-
LEOFF 2	3,382,581	3,237,717	3,169,951	3,048,949

L. CHANGES IN BENEFIT PROVISIONS

All employees hired on or after January 1, 2018, who participate in SERS, are eligible for service retirement after completing seven years of service and reach the normal retirement age of 65. Early retirement, with no reduction of benefits, may be elected when an employee's age plus years of service equal to 90 before or if they are age 50 or older and have completed 30 years of service. A reduced early retirement may be elected with benefits reduced by 2.5% per year for each year before the retiree would be eligible for full retirement. Their retirement benefits are calculated by multiplying 2.00% by the member's years of creditable service times the member's highest consecutive three-year average salary, with an annual cap on overtime plus base pay equal to 120% of base pay. The maximum of retirement factor is 80.00%.

M. GASB 68 SUMMARY RECONCILIATION

	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Employees' Retirement System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2015)	512,023,333	272,301,291	239,722,042	42,064,919	-	-
Changes for the year:						
Service Cost	12,896,547	-	12,896,547	-	-	12,896,547
Interest Cost	27,443,176	-	27,443,176	-	-	27,443,176
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	12,381,445	-	12,381,445	10,317,871	-	2,063,574
Change in Assumptions	(14,542,266)	-	(14,542,266)	-	12,118,555	(2,423,711)
Contributions-Employer	-	7,586,362	(7,586,362)	-	-	-
Contributions-Employee	-	7,586,362	(7,586,362)	-	-	(7,586,362)
Net Investment Income:		16,802,274	(16,802,274)			
Expected Return on Investments	-	-	-	-	-	(19,981,155)
Investment (gain) loss expensed	-	-	-	-	-	635,776
Investment (gain) loss deferred	-	-	-	2,543,105	-	-
Benefits paid, including refunds of employee contributions	(26,467,256)	(26,467,256)	-	-	-	-
Administrative Expense	-	(477,252)	477,252	-	-	477,252
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(10,556,539)	-	10,556,539
Net Changes	11,711,646	5,030,490	6,681,156	2,304,437	12,118,555	24,081,636
Balance, End of Year (Dec 31, 2016)	523,734,979	277,331,781	246,403,198	44,369,356	12,118,555	24,081,636
LESS (Public Facilities District)			(601,330)	(108,280)	(29,575)	(58,770)
Balance, End of Year (Dec 31, 2016) Net of PFD)			245,801,868	44,261,076	12,088,980	24,022,866

	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Firefighters' Pension System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2015)	20,957,329	15,044,079	5,913,250	516,305	1,823,425	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	815,109	-	815,109	-	-	815,109
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(2,959,170)	-	(2,959,170)	-	-	(2,959,170)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	2,152,769	(2,152,769)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income:	-	252,368	(252,368)	-	-	-
Expected Return on Investments	-	-	-	-	-	(621,095)
Investment (gain) loss expensed	-	-	-	-	-	73,745
Investment (gain) loss deferred	-	-	-	294,982	-	-
Benefits paid, including refunds of employee contributions	(1,170,685)	(1,170,685)	-	-	-	-
Administrative Expense	-	(15,482)	15,482	-	-	15,482
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(141,396)	(229,073)	(87,677)
Net Changes	(3,314,746)	1,218,970	(4,533,716)	153,586	(229,073)	(2,763,606)
Balance, End of Year (Dec 31, 2016)	17,642,583	16,263,049	1,379,534	669,891	1,594,352	(2,763,606)
	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Police Pension System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2015)	9,534,768	615,066	8,919,702	28,131	1,002,305	-
Changes for the year:						
Service Cost	-	-	-	-	-	276,832
Interest Cost	276,832	-	276,832	-	-	-
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(1,525,979)	-	(1,525,979)	-	-	(1,525,979)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	784,373	(784,373)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income:	-	-	-	-	-	-
Expected Return on Investments	-	-	-	-	-	(20,676)
Investment (gain) loss expensed	-	-	-	-	-	4,135
Investment (gain) loss deferred	-	-	-	16,541	-	-
Benefits paid, including refunds of employee contributions	(618,629)	(618,629)	-	-	-	-
Administrative Expense	-	(17,458)	17,458	-	-	17,458
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(8,149)	(115,606)	(107,457)
Net Changes	(1,867,776)	148,286	(2,016,062)	8,392	(115,606)	(1,355,687)
Balance, End of Year (Dec 31, 2016)	7,666,992	763,352	6,903,640	36,523	886,699	(1,355,687)

Note 6

Other Post-Employment Benefits

Summary of Significant Accounting Policies

Postemployment Benefits Other Than Pensions (OPEB). For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position for the City of Spokane's Firefighter's and Police Retiree Benefits Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Plan Descriptions

The Firefighters', Police Pension Systems and Retiree Medical Plan 2 are single-employer defined benefit funds established and administered by the City in accordance with the requirements of the Revised Code of Washington. The Firefighters' and Police Pension System other post-employment benefit (OPEB) plans are accounted for in their prospective pension funds.

The Police and Fire other post-employment benefit plans provide medical benefits to all firefighters and uniformed police who were hired prior to March 1, 1970. Police and firefighters hired on or after March 1, 1970, but before October 1, 1977, receive their pensions from the State of Washington and medical coverage from the City of Spokane. Police and firefighters hired after October 1, 1977, are not covered by these plans. These OPEB plans are closed to new entrants. Both plans provide death, disability and medical benefits.

The Retiree Medical Plan 2 is a single-employer defined benefit plan not administered by any trust and is an unfunded liability.

The Retiree Medical Plan 2 other post-employment benefit plan provides Pre-medicare retirees the ability to choose between two plans, Premiera (PPO) and Group Health (HMO). Coverage stops at Medicare eligibility. Retirees pay the full rate for these plans. Only certain employee groups are currently covered by the Retiree Medical Plan 2 based on the benefit being negotiated in the recent union contracts. The current covered employee groups and rates are as follows as of the beginning of the current plan year:

Current Covered Employee Groups		Rates for 2017	
Union 270 - Clerical			
Union 270 - Labor			Group
Union 270 - Library		Premiera	Health
Library Managerial	Retiree	\$ 579.15	\$ 596.52
Police Lieutenants and Captains	Retiree and Spouse	\$ 1,274.00	\$ 1,312.22
Police Guild			
Prosecutor's Association - SCPA			

Eligibility for benefits in the Retiree Medical Plan 2 is based on the employee's date of hire and the union they are members of at the time of retirement. Different eligibility conditions for the different employee groups are:

Retiree Medical Plan 2 Eligibility requirements									
1. Non-LEOFF Employees									
a. Hired Prior to January 1, 2009	The attainment of age 50 and completion of 5 years of service								
b. Hired between January 1, 2009 and January 1, 2015	The attainment of age 62 and the completion of 5 years of service, or age plus years of service equal or exceeds 75 points								
c. Hired on or after January 1, 2015	The attainment of age 65 and the completion of 5 years of service, or age plus years of service equal or exceeds 80 points								
2. LEOFF Employees	The attainment of age 53 and the completion of 5 years of service, or the attainment of age 50 and completion of 20 years								

At December 31, 2017, the following employees were covered by the benefit terms:

Plan	Inactive Members or Beneficiaries Receiving Benefits	Inactive Members Entitled To But Not Receiving Benefits	Active Plan Members	Total Members	Membership as of the latest actuarial valuation
Firefighters' Pension System	218	-	1	219	12/31/2017
Police Pension System	167	-	1	168	12/31/2017
Total	385	-	2	387	

Plan	Active	Retiree	Surviving Spouse	Total Members	Membership as of the latest actuarial valuation
Retiree Medical Plan 2	1,358	42	1	1,401	1/1/2017

Funding Policy

The City is obligated by ordinance and the Revised Code of Washington to make all required contributions to the Firefighters' and Police benefit plans. The major sources of funding for these plans are property taxes, investment earnings, the State fire insurance premium tax, and local retail sales and use taxes. There are no required employee contributions made to these plans.

The City is obligated to make all required contributions to the Retiree Medical Plan 2 benefit plans as per negotiated by each labor union and ratified by City Council.

The Actuarially determined contribution is based on the funding policy. Since the plans are not currently funded, the Actuarially Determined Contributions for the fiscal years ending December 31, 2017 and December 31, 2016 for the plans are shown in the following tables.

Funded Status (in thousands)	Firefighters' OPEB	Police OPEB	Retiree Medical Plan 2
Actuarial valuation date	1/1/2017	1/1/2017	1/1/2017
Actuarial value of plan assets	\$ 13,966	\$ -	\$ -
Actuarial accrued liability (AAL)	56,825	52,866	7,661
Unfunded actuarial accrued liability (UAAL)	42,859	52,866	7,661
Funded ratio	24.58%	0.00%	0.00%
Actual contributions	2,880	2,703	245
Covered payroll	N/A	N/A	78,014
UAAL as a percentage of covered payroll	N/A	N/A	0.00%

Actuarial Determined Contribution

	Firefighters' Pension System	2017	2016
A.	Normal Cost		
	1. Normal cost without expense load	\$ -	\$ 3,023
	2. Expense load, if any	-	-
	3. Total normal cost: (1) = (2)	-	3,023
B.	Amorization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 56,825,408	\$ 54,094,975
	b. Value of plan assets for recommended contribution	13,966,102	14,014,599
	c. Unfunded/(surplus) liability: (a)-(b)	42,859,306	40,080,376
	2. Amortization period in years	20	22
	3. Discount rate	3.00%	4.00%
	4. Amortization amount	2,796,911	2,667,814
C.	Recommended Contribution at Beginning of Plan Year: A(3) - B(4)	\$ 2,796,911	\$ 2,670,837
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2017	12/31/2016
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	83,907	106,833
E.	Recommended contribution at the end of the fiscal year: C + D(3)	2,880,818	2,777,670
F.	Actualial Funding Method	Entry Age Normal	Entry Age Normal

	Police Pension System	2017	2016
A.	Normal Cost		
	1. Normal cost without expense load	\$ 3,125	\$ 6,845
	2. Expense load, if any	-	-
	3. Total normal cost: (1) = (2)	3,125	6,845
B.	Amorization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 55,942,921	\$ 62,745,000
	b. Value of plan assets for recommended contribution	-	-
	c. Unfunded/(surplus) liability: (a)-(b)	55,942,921	62,745,000
	2. Amortization period in years	20	22*
	3. Discount rate	3.00%	3.00%
	4. Amortization amount	3,650,721	3,822,413
C.	Recommended Contribution at Beginning of Plan Year: A(3) - B(4)	\$ 3,653,846	\$ 3,829,258
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2017	12/31/2016
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	109,615	114,878
E.	Recommended contribution at the end of the fiscal year: C + D(3)	3,763,461	3,944,136
F.	Actual Funding Method	Entry Age Normal	Entry Age Normal

	Retiree Medical Plan 2	2017	2016
A.	Normal Cost		
	1. Normal cost without expense load	\$ 518,369	\$ 512,615
	2. Expense load, if any	-	-
	3. Total normal cost: (1) = (2)	518,369	512,615
B.	Amorization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 7,661,362	\$ 7,472,770
	b. Value of plan assets for recommended contribution	-	-
	c. Unfunded/(surplus) liability: (a)-(b)	7,661,362	7,472,770
	2. Amortization period in years	30	30
	3. Discount rate	3.75%	3.50%
	4. Amortization amount	414,176	392,565
C.	Recommended Contribution at Beginning of Plan Year: A(3) - B(4)	\$ 932,545	\$ 905,180
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2017	12/31/2016
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	34,970	31,681
E.	Recommended contribution at the end of the fiscal year: C + D(3)	967,515	936,861
F.	Actual Funding Method	Entry Age Normal	Entry Age Normal

Actuarial Information and Significant Actuarial Assumptions

The City's net OPEB liability was measured as of December 31, 2016 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Firefighters' OPEB	Police OPEB	Retiree Medial Plan 2
Inflation	0.00% per year	0.00% per year	0.00% per year
Salary increases	0.00% per year	0.00% per year	0.00% per year
Investment rate of return	3.00% per year	N/A	0.00% per year
Discount Rate	3.00% per year	3.75% per year	3.75% per year
Healthcare cost trend rates	9.00% for 2018, decreasing each year to an ultimate rate of 4.5% for 2036 and later years.	9.00% for 2018, decreasing each year to an ultimate rate of 4.5% for 2036 and later years.	9.5% for 2017, decreasing 0.5% per year to an ultimate rate of 5.00% for 2026 and later years.
Mortality	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females.	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females.	Mortality rates were based on the Society of Actuaries 1994 Group Annuity Mortality static table for Non-LEOFF members and the RP-2000 Combined Mortality table, fully generational projection with Scale BB, with male rates set back one year and female rates set forward one year for LEOFF members.
Actuarial Experience	The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period that ended December 31, 2012.	The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period that ended December 31, 2012.	Since this is a new plan, the actuarial assumptions are the same as the pension plan assumptions for this valuation. Once the plan has enough years of experience on its own, an experience study will be completed.

The long-term expected rate of return on OPEB plan investments for the Firefighter's other post-employment benefits plan was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Firefighters' OPEB		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and short-term investments	2.50%	2.00%
Domesitc Equities	0.00%	N/A
U.S. Aggregate Bond	96.90%	3.32%
High Yield debt	0.00%	N/A
Other investments	0.60%	3.00%
Total	100.00%	

Since the Police and Retiree Medical Plan 2 other post-employment benefit plans are not currently funded, there are no long-term expected rate of return on plan investments for this valuation.

The discount rate used to measure the net opeb liability for the Firefighter's post-employment benefits plan was 3.00%. the projection of cash flows used to determine the discount rate assumed that City future contributions will be made at rates equal to 90% of the annual benefit payments expected to be paid from the trust. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Since the Police and Retiree Medical Plan 2 other post-employment benefit plans are not currently funded, the discount rate is equal to the 20-year municipal bond rate in effect for the beginning of the plan year.

Changes in the Net OPEB Liability

Changes in the City's Firefighter and Police Net Opeb Liability as of December 31, 2017 are shown in the following tables:

	Increase (Decrease)		
	(a)	(b)	(a)-(b)
Firefighters' Other Post Employment Benefit Plan	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (NOL)
Balance, Beginning of Year (Dec 31, 2016)	58,759,497	14,014,599	44,744,898
Changes for the year:			
Service Cost	4,364	-	4,364
Interest on the total OPEB liability	1,721,361	-	1,721,361
Difference between expected and actual experience	(889,509)	-	(889,509)
Changes in plan provisions	-	-	-
Employer contributions	-	2,777,670	(2,777,670)
Changes in assumptions	-	-	-
Net Investment Income:	-	221,113	(221,113)
Benefits paid, including refunds of employee contributions	(2,770,305)	(2,770,305)	-
Administrative Expense	-	(276,975)	276,975
Other Changes	-	-	-
Net Changes	(1,934,089)	(48,497)	(1,885,592)
Balance, End of Year (Dec 31, 2017)	56,825,408	13,966,102	42,859,306

	Increase (Decrease)		
	(a)	(b)	(a)-(b)
Police Other Post Employment Benefit Plan	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (NOL)
Balance, Beginning of Year (Dec 31, 2016)	58,368,879	-	58,368,879
Changes for the year:			
Service Cost	5,875	-	5,875
Interest on the total OPEB liability	1,999,833	-	1,999,833
Difference between expected and actual experience	(3,649,221)	-	(3,649,221)
Changes in plan provisions	-	-	-
Employer contributions	-	2,703,355	(2,703,355)
Changes in assumptions	(1,384,401)	-	(1,384,401)
Net Investment Income:	-	-	-
Benefits paid, including refunds of employee contributions	(2,473,394)	(2,473,394)	-
Administrative Expense		(229,961)	229,961
Other Changes	-	-	-
Net Changes	(5,501,308)	-	(5,501,308)
Balance, End of Year (Dec 31, 2017)	52,867,571	-	52,867,571

Changes in the Total OPEB Liability

Changes in the City's Retiree Medical Plan 2 Total Opeb Liability as of December 31, 2017 are shown in the following table:

	Increase (Decrease)
Retiree Medical Plan 2 Other Post Employment Benefit Plan	Total OPEB Liability
Balance, Beginning of Year (Dec 31, 2016)	7,472,770
Changes for the year:	
Service Cost	512,615
Interest on the total OPEB liability	275,198
Difference between expected and actual experience	(172,229)
Changes in plan provisions	-
Employer contributions	-
Changes in assumptions	(181,786)
Net Investment Income:	-
Benefits paid, including refunds of employee contributions	(245,206)
Administrative Expense	
Other Changes	-
Net Changes	188,592
Balance, End of Year (Dec 31, 2017)	7,661,362

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare costs trend rates. The following presents the net OPEB liability of the City for the Firefighters' and Police plans, as

well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability Sensitivity to the Discount Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
Firefighters'	48,949,357	42,859,306	37,647,659	3.00%
Police	58,761,213	52,867,571	47,842,798	3.75%

Sensitivity of the Total OPEB liability to changes in the discount rate and healthcare costs trend rates. The following presents the Total OPEB liability of the City for the Retiree Medical Plan 2, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Total OPEB Liability Sensitivity to the Discount Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
Retiree Medical Plan 2	8,415,107	7,661,362	6,977,440	3.75%

Sensitivity of the net OPEB liability to changes in healthcare costs trend rates. The following presents the net OPEB liability of the City's Firefighters' and Police, as well as what the City's net OPEB liability would be if it were calculated 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

Net OPEB Liability Sensitivity to the Healthcare Cost Trend Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
Firefighters'	37,988,485	42,859,306	48,379,762	9.0% Decreasing to 4.5%
Police	48,143,541	52,867,571	58,249,939	9.0% Decreasing to 4.5%

Sensitivity of the Total OPEB liability to changes in healthcare costs trend rates. The following presents the Total OPEB liability of the City's Retiree Medical Plan 2, as well as what the City's net OPEB liability would be if it were calculated 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

Total OPEB Liability Sensitivity to the Healthcare Cost Trend Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
Retiree Medical Plan 2	6,777,154	7,661,362	8,702,790	9.5% Decreasing to 5.0%

OPEB plan fiduciary net position, and Total OPEB Liability detailed information is available in the separately issued actuarial reports. For further information please contact the Spokane Retirement Department at 509-625-6330.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2017, the City recognized OPEB expense reduction of \$5,501,308 for Police, \$2,029,354 for Firefighters', an increase in OPEB expense of \$359,021 for the Retiree Medical 2 Plan for a total OPEB expense reduction of \$ 7,171,641. At December 31, 2017, the City Reported Deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Firefighter's OPEB		Police OPEB	
	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	-	-	-	-
Change of Assumptions				
Net difference between projected and actual earnings on pension plan investments	-	143,762	-	-
Total	-	143,762	-	-

	Retiree Medical Plan 2	
	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	(153,303)	-
Change of Assumptions	(161,810)	
Net difference between projected and actual earnings on pension plan investments	-	
Total	(315,113)	-

Amounts reported as deferred outflow of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Firefighter's OPEB		Police OPEB	
Recognition Period (Years)		5.0		
Year	(Inflows)	Outflows	(Inflows)	Outflows
2018	-	35,940	-	-
2019	-	35,940	-	-
2020	-	35,941	-	-
2021	-	35,941	-	-
Thereafter	-	-	-	-
Total Deferred (Inflows)/Outflows	-	143,762	-	-

	Retiree Medical Plan 2	
Recognition Period (Years)	9.1	
Year	(Inflows)	Outflows
2018	(38,902)	-
2019	(38,902)	-
2020	(38,902)	-
2021	(38,902)	-
Thereafter	(159,505)	-
Total Deferred (Inflows)/Outflows	(315,113)	

Note 7

Risk Management

The City is self-insured for Unemployment Insurance, Workers' Compensation, General Liability, and Medical/Dental benefits. Unrestricted net position (assets less liabilities) in the self-insurance funds as of December 31, 2017 and 2016 are as follows:

Fund	2017	2016
Risk Management	\$ 7,091,993	\$ 5,025,270
Workers' Compensation	(435,548)	(94,834)
Unemployment Insurance	1,143,564	1,180,186
Employee Benefits	16,372,023	17,946,531
	<u>\$ 24,172,032</u>	<u>\$ 24,057,153</u>

Under the City's self-insurance program, the following commercial insurance policies are purchased to protect the City from claims which exceed anticipated funding levels. In 2013, one workers' compensation and one general liability claim exceeded the SIR, in 2015, two general liability claims exceeded the SIR, and in 2017, one general liability claim exceeded the SIR.

Policy Type	Deductible	Coverage Limits	Description
Excess Workers' Compensation & Employer's Liability - All Employees	\$ 1,000,000	Statutory Limit	Protects the city from unanticipated levels of workers' compensation
Boiler & Machinery	25,000	100,000,000	Protects the city from loss due to damage to buildings and contents from boilers and machinery
Property (Wastewater Treatment Facility)	1,000,000	302,200,000	Protects the city from loss by fire and other extended coverages
Property (Upriver Dam)	1,000,000	120,000,000	Protects the city from loss by fire and other extended coverages
Property (Waste to Energy)	1,000,000	100,000,000	Protects the city from loss by fire and other extended coverages
Property (Other than WWTP, Dam & WTE)	1,000,000	100,000,000	Protects the city from loss by fire and other extended coverages
Medical Stop Loss	450,000	Unlimited	Stop-loss coverage protects the city from excessive individual claims
Excess Liability Coverage	1.25M to 1.5M	20,000,000	Protects the city from excessive individual losses
Inland Marine - Fire Truck Physical Damage	5% Value 10,000 min 50,000 max	20,200,017	Protects the City from loss due to damaged fire trucks
Crime & Fidelity, Employee Theft, Forgery or Alteration, Funds Transfer Fraud	50,000	5,000,000	Protect the city from loss due to employee dishonesty and other extended coverages

Claims Liability Valuation

In 2017, the City conducted an actuarial review to determine the estimated claims liability for the Risk Management and Workers' Compensation funds. The estimated loss reserves for the Risk Management fund totaled \$6.5 million and the Workers' Compensation fund totaled \$9.0 million. The Employee Benefits fund reported IBNR (incurred but not reported) claims of \$2.0 million for 2017. Starting in 2014, the City became self-insured for all medical plans. Claims expenses are recognized in the Employee Benefits and the

Unemployment Insurance funds for claims processed through the fiscal year end. No IBNR claims are reported in the Unemployment Insurance Fund. All self-insured funds are responsible for collecting interfund premiums and for paying claims settlements. Interfund premiums are assessed on the basis of exposure and claims experience and are reported as revenues and expenses.

Changes in the claims liability from fiscal year ended December 31, 2016 to December 31, 2017 are shown in the following table:

Claims Liability (in thousands)	General Liability	Workers' Compensation	Health Benefits
Unpaid Claims, January 01, 2016	\$ 7,568	\$ 8,251	\$ 2,082
Incurred Claims	1,558	5,081	24,432
Adjustments for prior claims	277	(666)	(30)
Claim Payments	(1,920)	(3,552)	(24,395)
Unpaid Claims, December 31, 2016	<u>\$ 7,483</u>	<u>\$ 9,114</u>	<u>\$ 2,089</u>

Claims Liability (in thousands)	General Liability	Workers' Compensation	Health Benefits
Unpaid Claims, January 01, 2017	\$ 7,483	\$ 9,114	\$ 2,089
Incurred Claims	1,101	2,181	27,011
Adjustments for prior claims	1,016	1,844	1,516
Claim Payments	(3,072)	(4,092)	(28,587)
Unpaid Claims, December 31, 2017	<u>\$ 6,528</u>	<u>\$ 9,047</u>	<u>\$ 2,029</u>

Note 8

Short-Term Debt

As construction is done on LID (local improvement district) projects, progress warrants are issued to contractors. The city treasurer disburses funds to the contractors and carries the progress warrants as treasurer's cash investments. When special assessment bonds are sold, the progress warrants are redeemed.

At December 31, 2017, the City had no LID progress warrants outstanding.

Progress Warrants	2017
Balance January 1	\$ -
Progress warrants issued	-
Progress warrants redeemed	-
Balance December 31	<u>\$ -</u>

Note 9

Long-Term Liabilities

A. Long Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 3/5 majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and normally financed from general revenues (councilmanic bonds).

General obligation bonds currently outstanding at December 31, 2017 are as follows:

Name of Issuance	Purpose	Interest Rate	Authorized Amount	Original Issue Amount	Debt Outstanding
UTGO 2010A/B	Acquisition, construction, and installation of repairs and improvements to certain streets, including major arterials, public safety corridors, and residential streets; and helping pave unpaved city streets	2.00% - 5.713%	45,430,000	45,070,000	29,365,000
UTGO 2015	Finance improvements to Riverfront Park and the Parks system	1.65% - 2.97%	64,300,000	60,070,000	60,070,000
LTGO 2015 Refunding	Refund UTGO 2004 and UTGO 2007 Refunding bonds	2.45%-3.20%	52,000,000	48,305,000	48,305,000
LTGO 2016 Refunding	Refund LTGO 2005B related to the Parking Facility	3.24%	16,340,000	16,167,449	13,887,692
UTGO 2017 Refunding	Refund UTGO 2008 Parks/Aquatics	4.00%-5.00%	30,000,000	25,030,000	24,780,000
Total general obligation bonds				\$ 194,642,449	\$ 176,407,692

At December 31, 2017, the City has \$8.98 million available in debt service funds to service the general bonded debt. The annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities			
Year	Principal	Interest	Total
2018	5,724,931	7,248,687	12,973,618
2019	5,941,888	7,002,594	12,944,482
2020	6,167,027	6,744,391	12,911,418
2021	6,590,191	6,470,931	13,061,122
2022	4,248,458	6,173,546	10,422,004
2023-2027	40,635,197	27,072,044	67,707,241
2028-2032	73,000,000	14,621,272	87,621,272
2033-2037	34,100,000	1,859,482	35,959,482
Total	\$ 176,407,692	\$ 77,192,948	\$ 253,600,640

Debt Refundings

When advantageous and permitted by statute and bond covenants, the City authorizes the refunding of outstanding bonds. When the City refunds outstanding bonds in advance of a call date, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts

with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

On January 25, 2017 the city issued \$25,030,000 in unlimited tax general obligation (UTGO) refunding bonds with an average interest rate of 4.80 percent, and a True Interest Cost (TIC) of 2.43% to refund the callable portion of the City's outstanding 2008 UTGO Bonds (Park Bonds) totaling \$27,140,000. There is a zero balance outstanding on 12/31/2017 for the 2008 UTGO Bonds. As a result of the refinancing, the annual debt service was reduced by an average of approximately \$224,000 annually until the final maturity in 2027. The total savings is \$2,465,264, which has a present value of \$2,145,659. The Bonds were structured with the same final maturity as the 2008 UTGO Bonds.

Government Loans

The City of Spokane has also received government and other loans to provide for the acquisition and construction of capital projects and other purposes. Government and other loans outstanding at year-end are as follows:

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
Public Works Trust Fund Loans	Various street improvements	.50% - 3.00%	\$ 628,139
State Community Development Loans	Various community development projects	0.00%	200,000
Public Works Trust Fund Loans	Various Water/Wastewater System improvements	.50% - 3.00%	10,716,130
State Revolving Loans	Various Water/Wastewater System improvements	1.50% - 2.90%	54,510,254
Total government and other loans			\$ 66,054,522

The annual debt service requirements to maturity for government and other loans outstanding are as follows:

Governmental Activities			
Year	Principal	Interest	Total
2018	112,917	3,141	116,058
2019	112,917	2,576	115,493
2020	112,917	2,012	114,929
2021	112,917	1,446	114,364
2022	58,824	882	59,706
2023-2027	117,647	882	118,529
2028-2032	-	-	-
2033-2037	-	-	-
2038-2042	-	-	-
2043-2044	200,000	-	200,000
Total	\$ 828,139	\$ 10,939	\$ 839,078

Business-Type Activities			
Year	Principal	Interest	Total
2018	2,730,749	786,373	3,517,122
2019	2,987,236	1,131,520	4,118,756
2020	3,359,498	1,297,698	4,657,196
2021	3,418,612	1,232,940	4,651,552
2022	3,479,208	1,166,700	4,645,908
2023-2027	16,784,466	4,803,579	21,588,045
2028-2032	16,752,857	2,967,499	19,720,356
2033-2037	13,733,230	1,122,465	14,855,696
2038-2042	1,980,527	47,699	2,028,226
Total	\$ 65,226,384	\$ 14,556,473	\$ 79,782,857

Special Assessment Bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2017, the amount of CLID Special Assessment delinquency equals \$292,842.

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
CLID 213	Street/alley improvements	5.00%	\$ 25,000
CLID 215	Street/alley improvements	4.50%	15,000
CLID 216	Street/alley improvements	4.60%	75,000
Total special assessment bonds			\$ 115,000

Revenue Bonds

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds are issued to finance the acquisition and construction of capital projects, and are created by ordinance, adopted by the City Council, and financed from enterprise fund revenues.

The money raised through the bond sale, in large part, will help the City implement its Integrated Clean Water Plan. The plan includes work to manage overflows from combined sanitary and stormwater sewers, address untreated stormwater going to the river, and to add an additional level of wastewater treatment at the City's Riverside Park Water Reclamation Facility.

In November 2014, the City of Spokane sold \$181,225,000 in Water Wastewater Utility revenue bonds to pay for a series of projects that are designed to improve the health of the Spokane River and to protect the aquifer that provides Spokane residents with their drinking water.

The bonds were designated as "green" bonds because they will be used to pay for "green" projects that provide environmental benefits. The work will improve water quality, protect water resources, and save energy, among other things.

The money raised through the bond sale, in large part, will help the City implement its Integrated Clean Water Plan. The plan includes work to manage overflows from combined sanitary and stormwater sewers, address untreated stormwater going to the river, and to add an additional level of wastewater treatment at the City's Riverside Park Water Reclamation Facility.

The city has pledged future water waste water capital rate revenues, net of specified operating expenses, to repay \$181,225 million in water wastewater revenue bonds issued in December 2015. Proceeds from the bonds

provided financing for capital improvements that will improve the health of the Spokane River, protect the region's sole-source drinking water aquifer, and make other necessary improvements to the Water and Wastewater System. The bonds are payable solely from Water and Wastewater capital rates and are payable through 2034. The total principal and interest remaining to be paid on the bonds is \$227,055,500. Principal and interest paid for the current year and total customer net revenues were \$6,832,258 and \$13,547,527, respectively.

Revenue bonds outstanding at year-end are as follows:

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
Water and Wastewater System Revenue Bonds 2014	Finance capital improvements that will improve the health of the Spokane River, protect the region's sole-source drinking water aquifer, and make other necessary improvements to the Water and Wastewater System	3.00% - 5.00%	\$ 163,465,000
Total revenue bonds			\$ 163,465,000

The annual debt service requirements to maturity for revenue bonds are as follows:

Business-Type Activities			
Year	Principal	Interest	Total
2018	6,530,000	7,021,778	13,551,778
2019	6,855,000	6,695,278	13,550,278
2020	7,200,000	6,352,528	13,552,528
2021	7,555,000	5,992,528	13,547,528
2022	7,935,000	5,614,778	13,549,778
2023-2027	45,845,000	21,903,785	67,748,785
2028-2032	55,895,000	8,558,250	64,453,250
2033-2034	25,650,000	1,451,625	27,101,625
Total	\$ 163,465,000	\$ 63,590,550	\$ 227,055,550

B. Changes in Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

Long-Term Liabilities	Outstanding 12/31/16	Additions	Reductions	Outstanding 12/31/17	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	184,533,902	25,030,000	(33,156,210)	176,407,692	5,724,931
Deferred amounts:					
Bond premiums at issuance	5,899,292	-	(447,376)	5,451,917	-
Bond premiums on refunding	2,056,006	3,780,610	(8,003)	5,828,613	136,265
Special assessment debt with governmental commitment	180,000	-	(65,000)	115,000	93,125
Government loans	1,066,056	-	(237,917)	828,139	112,917
Revitalization Areas ¹	3,428,750	-	(137,321)	3,291,429	95,000
Claims and judgments	18,686,438	-	(1,082,339)	17,604,099	17,604,099
Pollution Remediation Liability ²	1,620,000			1,620,000	
Net opeb liability ³	14,672,662	86,365,733	-	101,038,395	-
Net pension liability	155,499,387	4,906,670	(6,549,958)	153,856,099	-
Compensated absences	16,946,038	187,697	(1,115,868)	16,017,867	1,556,162
Total long term liabilities - governmental activities	404,588,532	120,270,710	(42,799,991)	482,059,250	25,322,499
¹ See Note 12 for more information on the purchase and sale agreements related to the revitalization areas.					
² See Note 12 for more information related to the Pollution Liability					
³ See Note 6 for more information related to newly presented OPEB Liability related to GASB 74/75					
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General obligation bonds	-	-	-	-	-
Revenue bonds	169,680,000	-	(6,215,000)	163,465,000	6,530,000
Deferred amounts:					
Bond premiums at issuance	18,907,387	-	(787,315)	18,120,071	1,012,607
Bond premiums on refunding	-	-	-	-	-
Total bonds payable	188,587,387	-	(7,002,315)	181,585,071	7,542,607
Government loans	52,527,663	16,171,096	(3,472,376)	65,226,384	2,730,749
Net pension liability	98,454,661	1,774,102	-	100,228,763	-
Net opeb liability ¹		2,349,844	-	2,349,844	
Landfill liabilities:					
Landfill closure	1,262,405	583,379		1,845,784	-
Postclosure monitoring	10,038,225	321,634		10,359,859	-
Capital lease payable	326,209		(82,941)	243,268	85,891
Compensated absences	5,024,531	556,544	(59,482)	5,521,593	327,217
Total long term liabilities - business-type activities	356,221,081	21,756,599	(10,617,114)	367,360,566	10,686,464
¹ See Note 6 for more information related to newly presented OPEB Liability related to GASB 74/75					

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the internal service funds are included as part of the governmental activities as follows:

Claims and judgments payable \$17.6 million
Net pension liability \$28.7 million

Compensated absences \$1.7 million

Funds used to liquidate compensated absences and net pension liability were general fund, operational special revenue funds, all internal service funds and the enterprise funds.

Legal Debt Margin

For purposes of determining the legal debt margin, the assessed valuation of the City for year 2017 is \$16,671 million. Under State of Washington statutes, general obligation indebtedness pursuant to a vote of the electorate is limited to 2.5% of actual value of taxable property located within the City. Indebtedness without a vote of the people is limited to 1.5% of actual value subject to the limitation that total general purpose indebtedness may not exceed 2.5% of total valuation. There is a 2.5% limitation each for utility purposes and open space and park facilities purposes.

Legal Debt Margin	Total
General purpose voted and non-voted debt - 1.5%	\$ 187,046,667
Utility voted debt - 2.5%	239,543,331
Open space and park facilities voted debt - 2.5%	416,779,162
Total remaining debt capacity	\$ 843,369,160

C. Leases

Operating Leases

The City entered into a long-term operating lease agreement with the Spokane Airport Board, an agency of the City and County of Spokane, for the site of the Spokane Regional Waste to Energy Facility. The lease, as amended, provides for the following rental payments:

Effective May 1, 2011 the City pays \$0.085 cents per square foot for 1,608,887 feet.

The City has the option of renewing the lease for four consecutive five-year periods subject to certain conditions. The lease ends April 30, 2018. Lease payments for the year ended December 31, 2017 amounted to \$136,755.

The City was assigned a lease in the Airport Business Park formerly leased by Wheelabrator Spokane Incorporated. Effective November 2014 the City pays \$.080 cents per square foot for 52,272 feet. The Lease is open ended indefinitely. Lease payments for the year ended December 31, 2017 amounted to \$ 4,182.

The City entered into long term lease contracts with Xerox Corporation for two printers and Copiers Northwest for copy machines. Lease payments for the year ended December 31, 2017 were approximately \$161,640.

Future Years Operating Lease Payments	Total
2018	303,418
2019	303,978
2020	304,378
2021	140,937
2022	140,937
Total minimum future rental payments	\$ 1,193,648

Capital Lease

The City entered into long term capital lease agreements as follows:

Long term capital lease of \$215,088 with TCF Equipment Finance for the purchase of Kubota Tractor for use at the City's golf courses. The lease provides for semi-annual payments with an interest rate of 3.498%.

Long term capital lease of \$216,640 with VGM Financial Services for the purchase of greens mowers/trucks for use at the City's golf courses. The lease provides for semi-annual payments with an interest rate of 3.50%.

Lease payments for the year ended December 31, 2017 were \$82,941.

The capital lease debt outstanding at December 31, 2017 is \$243,268. The annual debt service requirements are as follows:

Business-Type Activities			
Year	Principal	Interest	Total
2018	85,891	7,278	93,168
2019	88,945	4,224	93,169
2020	45,222	1,470	46,692
2021	23,210	136	23,346
Total	\$ 243,268	\$ 13,107	\$ 256,375

Accumulated depreciation related to the above assets is \$ 129,467.

Note 10

Interfund Balance and Transfers

A. Interfund Balances

Due to and from other funds result from goods issued, work performed or services rendered to or for the benefit of another fund of the same government. Interfund balances at December 31, 2017 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	6,631,438	463,016
Water/Sewer Fund	348,693	5,481,398
Solid Waste Fund	28,432	1,621,760
Non-major Governmental Funds	2,821,984	3,015,505
Non-major Enterprise Funds	21,833	268,073
Internal Service Funds	2,064,711	1,067,339
Total Government Wide	11,917,091	11,917,091

B. Interfund Loans

Interfund loans are loans between funds for capital or cash flow purposes. The SIP Interfund loans are accounted for in the Property Acquisition Fund and all debt service is transferred in from the borrowing funds. Interfund loans outstanding at December 31, 2017 are as follows:

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool¹
Riverfront Conservation Area	1,194,051
Gardner Building	1,272,378
Alki Building	1,966,412
University District Gateway	3,196,145
West Plains Fire Station	680,164
Public Safety Capital	16,376,203
Library RFID	362,839
Division Gateway	103,098
Nelson Service Center	4,092,176
Engineering	226,462
Bond Refunding ²	5,203,106

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool¹
CLID 217	49,446
CLID 219	102,851
CLID 221	113,478
CLID 222	433,961
CLID 223	470,353
CLID 224A	252,556
Total	36,095,679

Loan To:	Loan From:
Golf Fund	Spokane Investment Pool¹
Bond Refunding ²	412,044
¹ The Spokane Investment Pool is allowed to invest up to 15% of its balance in City of Spokane bonds. Loans from this pool provide funds with which to pay the cost of acquiring property for public purposes.	
² LTGO 2005A refunded via Ordinance C35430 approved by City Council on 08/29/16	

Loan To (Various):	Loan From (General Fund)¹:
Misc. Grants Fund	133,308
Human Services Grant Fund	1,073,103
Public Safety & Judicial Grant Fund	740
Community Development/Human Services Operations Fund ²	600,000
Community Development Block Grant Fund	272,863
HOME Program Fund	317,747
Total	2,397,761

¹Resolution 2014-0080 authorizes grant invoices to be paid out of the General Fund before requesting the grant funding from the grantor, and replenishing the General Fund within 30 days.

² Resolution 2014-0120 authorizes the establishment of a working cash balance that is necessary to facilitate compliance with the federal grant requirements related to cash management.

C. Interfund Transfers

Interfund transfers represents a sharing of resources between funds. At the fund level, these transfers increase or decrease individual fund resources, but they do not affect the City's total resources. Interfund transfers for the year ending December 31, 2017 are as follows:

Transfer From:	Transfer To:					
Fund	General Fund	Non-major Governmental Funds	Solid Waste Fund	Non-major Enterprise Funds	Internal Service Funds	Total
General Fund	-	25,421,511	-	-	4,855,848	30,277,359
Water/Sewer Fund	-	5,050,000	-	-	-	5,050,000
Solid Waste Fund	-	-	-	-	-	-
Non-major Governmental Funds	875,265	14,813,195	-	45,000	1,631,104	17,364,564
Non-major Enterprise Funds	15,000	-	-	-	50,404	65,404
Internal Service Funds	-	-	-	-	578,455	578,455
Total	890,265	45,284,706	-	45,000	7,115,811	53,335,782

The General Fund transfers were provided to various governmental funds to support day-to-day operations. The water/sewer funds were transferred mainly to reimburse the arterial street fund for services it provided on construction projects. Other funds made debt service transfers to pay for the benefits they received in the financing of projects and equipment done on their behalf. Transfers to the information technology fund are the result of transferring custody of computers and other peripheral equipment purchased by other city departments.

Note 11

Joint Ventures

The City participates in three joint ventures. These are the Spokane International Airport (SIA), the Spokane Regional Transportation Council (SRTC) and the West Plains/Airport Area Public Development Authority. The City does not contribute any monies toward the operation of the Spokane International Airport. General fund monies are contributed to support the Spokane Regional Transportation Council. In 2017, \$42,900 was paid to the Spokane Regional Transportation Council. General fund monies are contributed to support the West Plains Public Development Authority. On 12/28/2017, \$60,000 was paid to the West Plains/Airport Area Public Development Authority.

Spokane International Airport

SIA is jointly operated by the City and County of Spokane through a joint operating agreement in accordance with the "Airport Joint Operating Agreement"; which was last amended February 2, 2010. This agreement is pursuant to RCW 14.08.200. The unaudited summary below is for the fiscal year ended December 31, 2017 for the Spokane International Airport.

Spokane International Airport	2017
Total Assets	\$ 322,556,403
Total Deferred Outflow of Resources	\$ 878,175
Total Liabilities	(23,258,866)
Total Deferred Inflow of Resources	(1,038,072)
Total Net Position	<u>\$ 299,137,640</u>
Total Revenues	\$ 47,711,009
Total Capital Contributions	10,262,938
Total Expenses	(50,759,411)
Net Increase in Net Position	<u>\$ 7,214,536</u>
Net Position, Beginning of Year	\$ 291,923,104
Net Increase in Net Position	7,214,536
Net Position, End of Year	<u>\$ 299,137,640</u>

At December 31, 2017, the airport had other long-term debts payable at year-end totaled \$5,497,988.

The Spokane Airport Board administers the operations of the airport. It is composed of seven members, three of which are appointed by the County, three by the City, and one non-specific appointee. The City does not exercise any specific control over the budgeting and financing of the airport's activities. The complete financial report may be obtained by contacting the Spokane International Airport, 9000 W. Airport Drive, Suite 207, Spokane, WA, 99224.

Spokane Regional Transportation Council

SRTC operates under an Interlocal Agreement adopted by participating entities that include the City of Spokane, Spokane County, Spokane Transit Authority (STA), the City of Spokane Valley, Washington State Department of Transportation (WSDOT), Washington State Transportation Commission, the Spokane Airport Board (SAB),

and the incorporated towns within the County. In 1965 the Washington State Legislature created the current statutory authority that provided for coordinated regional planning within the State.

The Council operates under a Board consisting of fourteen voting members and three ex-officio non-voting members. Voting members consist of two County Commissioners, two City Council members, three elected officials representing the small cities, one elected official representing small towns, one representative from the City of Spokane Valley, one person representing STA, (the STA Chief Executive Officer), one representative from WSDOT, one member from the Washington State Transportation Commission, one member from a major employer, and one member representing the SAB (the SAB Chief Executive Officer). Ex-officio members consist of one member representing rail, the Chair of the Transportation Advisory Committee, and the Chair of the SRTC Transportation Technical Committee. The Board selects management of the Council. Control over collection and disbursement of funds resides with the Council.

The Spokane Regional Transportation Council is audited by the Office of State Auditor. At December 31, 2017 the Spokane Regional Transportation Council had no long-term debt outstanding

The unaudited summary for the fiscal year ended December 31, 2017 is presented below.

Spokane Regional Transportation Council	2017
Total Assets	\$ 423,883
Total Liabilities	(423,883)
Total Net Position	<u>\$ -</u>
Total Revenues	\$ 1,379,389
Total Expenses	(1,399,894)
Net Decrease in Net Position	<u>\$ (20,505)</u>

The complete financial report may be obtained by contacting the Spokane Regional Transportation Council, 421 West Riverside Avenue, Suite 500, Spokane, WA, 99201.

West Plains/Airport Area Public Development Authority

West Plains/Airport Area Public Development Authority operates under an Interlocal Agreement adopted by participating entities that include the City of Spokane and Spokane County

The PDA operates under a Board consisting of five voting members and two at-large business representatives selected by the five permanent Board Members. Each Board Member shall have an equal vote and vote in all Board decision. Initial funding for the PDA's operating and expense budget will be for the first three (3) years, the County, City and Spokane Airport shall each provide \$60,000 per year as preliminary funding for operation of the PDA. The Board shall have oversee the activities of the corporate officers, establish and or/implement policy, participate in corporate activity, and shall have stewardship for management and determination of all corporate affairs.

The West Plains/Airport Area Public Development Authority is audited by the Office of the State Auditor. At December 31, 2017 the PDA had only initial funding activity.

Water/Sewer Fund - Interlocal Agreements

Contracts Receivable and Due From Other Governmental Units

During 1982, the City of Spokane and Spokane County entered into an Interlocal Agreement whereby the County agreed to pay \$5,779,709 for sewage treatment capacity at the Riverside Park Water Reclamation Facility. Per the agreement, the City will process up to ten million gallons per day for the County. Payments were adjusted annually using an implicit price deflator with January 1985 as the base period. The final capacity payment was received in 1999. Currently only annually adjusted operations and maintenance treatment charges, pretreatment charges, and 10/44ths of water quality capital improvements at the Riverside Park Water Reclamation Facility are billed to Spokane County under the 1982 Interlocal Agreement.

The City of Spokane and the City of Airway Heights entered into an agreement under which Airway Heights agreed to pay \$2,040,000, in 1992 dollars, for sewage treatment capacity at the Riverside Park Water Reclamation Facility. Per the agreement, the City will process up to 680,000 gallons per day for Airway Heights. The final capacity payment was received in 2006. Airway Heights no longer sends flows for treatment to the Riverside Park Water Reclamation Facility.

The City of Spokane and Fairchild Air Force Base entered into an agreement under which Fairchild Air Force Base agreed to pay \$3,000,000, in 1992 dollars, for sewage treatment capacity at the Riverside Park Water Reclamation Facility. Per the agreement, the City will process up to 1,000,000 gallons per day for Fairchild. The final capacity payment was received in 2017.

Spokane County Utility Tax Payments

In October 2003, Spokane County began withholding the portion of its wastewater bill it computed as representing municipal taxes. In November 2003, Spokane County commenced a lawsuit to determine if the municipal taxes should be included as an expense in the calculation of the wastewater treatment rate for Spokane County. In January 2007, an agreement was reached in mediation between the City and Spokane County, which was approved by the Spokane City Council on April 30, 2007.

The agreement resulted in Spokane County paying \$1,500,000 to the City on the outstanding balance of their utility bill and the City removing the tax component from its billings to Spokane County. The County will continue to make payments to the City, on a sliding percentage rate of their charges for wastewater utility services, in lieu of taxes, until the year 2021. Beginning in the year 2022, there will be no further payments in lieu of taxes.

Dissolved Interlocal Agreement

On November 17, 2014 the Interlocal Agreement between Spokane County and the City of Spokane that formed the Spokane Regional Solid Waste System (a department within the City of Spokane) terminated. The Spokane Valley and North County Transfer Stations were sold to Spokane County and a new Interlocal Agreement between Spokane County and the City of Spokane was executed whereby Spokane County would deliver all solid waste received at their newly acquired Spokane Valley and North County Transfer Stations to the City of Spokane's Waste to Energy Facility for final disposal.

With the City of Spokane no longer responsible for regional solid waste management, the Spokane Regional Solid Waste System Department within the City of Spokane was eliminated.

In late November 2014, Spokane Municipal Code was amended to rename the two City of Spokane Solid Waste Departments; 1) Solid Waste Collection Department and 2) Solid Waste Disposal Department.

In addition, the Spokane Municipal Code was also amended to clarify the Solid Waste Management Fund, which now reads;

There is established the "Solid Waste Fund of the City".

All receipts for the collection and disposal of garbage and refuse received by the solid waste collection and disposal departments shall be deposited with the city treasurer and become a part of the solid waste fund.

All the expenses and expenditures relating to solid waste collection department and solid waste disposal department shall be paid from the solid waste fund.

Note 12

Commitments & Contingencies

A. Disability Supplemental Pensions

The Department of Labor and Industries made a determination that nine employees of the City were totally disabled as the result of industrial injuries. This determination required the employees to be placed on the pension rolls of the Department of Labor and Industries supplemental pension fund, which provides monthly pension benefits. Since the City is self-insured, the City is responsible for funding these pension benefits. The City has deposited \$1,241,373 with the State of Washington which represents the full present value of the pensions as of June 30, 2017. The State will invest this amount on the City's behalf, and pay pensions each month from that deposit. Interest earnings will accrue to the deposit. Each year, in June, the pensions are actuarially re-evaluated and excess monies are returned to the City, or deficit monies are remitted to the State. In 2017, the City received excess funds in the amount of \$9,904 as part of the current year re-evaluation.

B. Downtown Housing Stabilization

The Downtown Housing Stabilization Program is a program developed by the Financial Issues Task Force of the Downtown Capital Needs Committee in the early 1990s. The Stabilization Program was designed to maximize opportunities for private investment to respond to the critical need for affordable housing units for low-income residents of the Downtown Community. The City has assumed the role of Loan Loss Guarantor for loans made by private investors on properties purchased as part of the program. No new loans have been made under this program since 1994.

C. Spokane Public Facilities District

In August 2003 the City executed an interlocal agreement with the Spokane Public Facilities District (PFD) related to the Spokane Convention Center, the Spokane Opera House, and the Washington State International Agricultural Trade Center (collectively known as the Spokane Center) and the Spokane Veterans Memorial Arena. The purpose of the agreement was to set forth agreements relating to PFD's acquisition of the existing facilities, the expansion of the Spokane Convention Center, and the operation and maintenance of the Spokane Center facilities and the Arena. The agreement terminated the City's operation agreement for the Arena, and transferred 2/3 ownership of the Spokane Center assets to the PFD. The interlocal agreement also laid out certain annual obligations of the City to the PFD related to the Spokane Center. This agreement was modified in May 2009 and contains the following stipulations:

1. The City will transfer to the PFD all admission taxes collected at Spokane Center and Arena events.
2. The City will transfer to the PFD all lodging tax revenues collected, after deducting amounts sufficient to service the City's outstanding debt payments related to Spokane Center assets and \$100,000 annually to be allocated by the City's Lodging Tax Advisory Committee. The \$100,000 allocation shall be adjusted annually by using the Consumer Price Index (CPI) or other closely related index if that index is discontinued. If the CPI is greater than 2%, the City can consider negotiation of transferring the incremental increase to the District, but is not required to do so.
3. The City will transfer to the PFD all stadium tax revenues collected.

This agreement is valid through December 31, 2038.

D. Construction Commitments

The City has active construction projects as of December 31, 2017. The projects include street construction, parks, water/sewer infrastructure and transfer station upgrades, and technology upgrades. At year end, outstanding construction commitments are as follows:

Construction Commitments	Original Commitment	Spent to Date	Remaining Commitment at 12/31/17
2015 Neighborhood Traffic Calming (Cycle 5) District 1 - Phase II	138,172	4,806	133,366
2015 Neighborhood Traffic Calming (Cycle 5) District 3 - Phase II	348,779	12,132	336,647
2016 Sidewalk Install and Repair	191,298	159,750	31,548
2016 TBD Sidewalks	44,822	38,030	6,792
Academy Range Eyebrow project	115,500	109,385	6,115
Alki Property Evidence Facility- Re-Roof	253,676	247,560	6,116
Audubon Park Sidewalk	85,000	46,847	38,153
Byrne Park Restroom Historic Renovation	243,494	24,469	219,025
Central Avenue Well #2 Rehabilitation	1,271,730	64,309	1,207,421
Cochran 1	1,211,975	337,816	874,159
Crestline Street Lane Reduction from Euclid Avenue to Francis Avenue	337,329	247,815	89,515
CSO 14 & 15	3,744,204	-	3,744,204
CSO 33-1 Control Facility	11,509,110	7,340,502	4,168,608
CSO 34-1	78,603	74,059	4,544
CSO Basin 20 Control Facility	45,500	28,587	16,913
CSO Basin 23 Control Facility	1,558,215	4,500	1,553,715
CSO Basin 24-25 Preliminary Design	24,248,538	11,087,388	13,161,150
CSO Basin 25 Improvement	2,268,394	-	2,268,394
CSO Basin 25 Improvement - Phase 1 (Reference 2015178)	1,903,302	-	1,903,302
CSO Basin 26 Control Facility	30,101,929	5,469,425	24,632,504
CSO Basin 34 Preliminary Design	11,900,021	2,007,124	9,892,896
Dutch Jake's Park Renovation project	21,490	2,450	19,040
Edwidge Woldson Park Restrooms	36,686	12,744	23,942
Finch Arboretum's Woodland Center Restroom Remodel	66,925	61,568	5,356
Five Mile Booster Station	38,700	-	38,700
Glover Field Boat Ramp A&E Services for Design and CM	40,500	2,165	38,335
Hartson Avenue from Altamont Street to Fiske Street	426,339	387,057	39,282
Havana Wellsite	1,435,069	-	1,435,069
High Drive Bicycle & Pedestrian Linkage	298,311	282,049	16,262
Howard Mid Channel Bridge Crossbeam Repair	42,999	-	42,999
Howard Street South Channel Bridge	6,680,377	6,390,376	290,001
Ice Rink and Skyride facility	9,645,841	9,555,778	90,063
Interceptor I-03	7,709,366	4,080,140	3,629,227
Interceptor I-07 (Near Napa Street/Riverside Avenue Intersection)	4,753,761	1,082,494	3,671,267
Looff Carousel	9,623,489	7,382,868	2,240,621
Manito Park Mirror Pond Renovation Ph II	169,628	161,331	8,298
Manito Park Overhead Structure	80,794	46,994	33,801
Manito Park Roof Replacement	55,231	52,805	2,426
Maxwell Avenue/Mission Avenue Lane Reduction from Maple Street to Washington Street	351,565	-	351,565
Millwood Trail; from Spokane Community College to Felts Field	160,530	112,478	48,051
Mission Avenue from Division Street to Hamilton Street	1,225,526	-	1,225,526
Mission Park Ability Ballfield Ph II	324,949	111,150	213,799
NLT-SILO DIGESTER NO. 3	13,531,737	12,827,036	704,700
Peaceful Valley Futsal Court	91,381	84,532	6,849
Post Street and Howard Street Mid-Channel Bridges; TS&L Studies	5,000	-	5,000
Post Street Pedestrian and Utility Bridge Replacement	151,131	63,399	87,733
Ray Street Well Station Transformer Replacement	105,118	-	105,118
Ridgeview Elementary Sidewalk	93,442	87,422	6,020
Riverfront Park Bond Rehabilitation project	1,014,962	668,812	346,150
Riverfront Park Fountain Café	16,660	4,538	12,122
Riverfront Park Pavilion and Promenade project	283,844	163,635	120,208
Rochester Heights Park Pathways & Fitness Area	58,432	-	58,432
Rowan Avenue from Driscoll Street to Perry Street Phase I	2,383,475	2,302,222	81,252
Rowan Avenue from Driscoll Street to Perry Street Phase II	1,891,577	1,744,619	146,959
RPWRF Package A Upgrades	14,897,765	14,725,619	172,146

Spokane Gorge Restoration Project	4,900	960	3,940
Sprague Avenue and Sherman Avenue Pedestrian-Bike Bridge Plaza Improvements	21,210	9,488	11,722
University District - Pedestrian Overpass	12,392,238	5,517,011	6,875,227
Upriver Facility Paving	148,773	-	148,773
Witter Pool Deck Repair	404,321	387,321	17,000
VW Next Level of Treatment Program	91,703,456	45,536,535	46,166,921
Total Construction Commitments	\$ 273,987,090	\$ 141,152,102	\$ 132,834,988

E. Developer Improvements

In 2007, the City Council adopted Ordinance C34758 authorizing an “Amended and Restated Reimbursement Agreement”. Under Article V of that agreement, the developer may offer to sell the City certain public improvements according to the terms of a “Form of Purchase and Sale Agreement.” Since 2012 the developer has exercised that right and entered into the following agreements with the City.

Contract	Description		Amount	Interest Rate	Expiration Date
OPR 2012-0484	Kendall Yards Tendered Improvements 2nd Addition	\$	574,038	0.1443%	12/15/2032
OPR 2013-0651	Kendall Yards Tendered Improvements 4th Addition		808,603	0.1443%	12/15/2032
OPR 2015-0555	Kendall Yards Tendered Improvements 5th Addition		612,033	0.1443%	12/15/2032
OPR 2015-0038	Kendall Yards Tendered Improvements Commercial Addition		1,446,910	0.1443%	12/15/2032
OPR 2014-0543	Burgans' Block		250,000	30 yr Treasury Bond + 2%	12/31/2034
		\$	3,691,584		

F. Landfill Closure

On July 21, 1987, the City ceased disposal operations at its Southside Landfill. During 1988, the Southside landfill closure was completed at a total cost of \$5.4 million. These closure costs were paid using previously reserved cash and the total closure amount was recorded as an expense in 1988.

The City started closing the Northside Landfill in 1991. The closure was completed during 1993 for a total cost of \$19.4 million. These closure costs were paid using approximately \$3.1 million of previously reserved cash and \$16.3 million of the Spokane Regional Solid Waste Management System Revenue Bond proceeds. The City Council and Spokane County Board of County Commissioners approved an interlocal agreement which required that tipping fees established by the Spokane Regional Solid Waste Management System shall have a landfill closure component which will provide a source of revenue to the City and the County for the payment of pre-existing landfill costs. The City's portion of the closure component covers the debt service requirements on \$16.3 million of revenue bond proceeds. A Northside landfill closure liability was recorded as a deferred cost on January 1, 1988 and was charged to expense over a 20 year period as these amounts were recovered through rates charged to customers. The deferred cost was fully amortized during 2007.

G. Postclosure Landfill Monitoring

The \$12.2 million reported as landfill postclosure care liability at December 31, 2017 represents the cumulative amount required to monitor and maintain the closed portion of the Northside landfill, the open portion (Phase 1) of the Northside Regional landfill and the closed Southside landfill for the next 20-30 years. All amounts recognized are based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has restricted \$4.9million in assets related to the post-closure monitoring of the closed portion of the Northside landfill, and \$4.9 million for post-closure monitoring of the open portion of the Northside landfill. No assets have been restricted for future costs of \$4 million for the Southside landfill based on the City's interpretation of the applicability of Washington Administrative Code 173-304-467. This landfill has a remaining useful life of approximately 8 years.

Landfill Monitoring	Northside Landfill	Southside Landfill	Total
Estimated Post closure costs	\$ 4,951,901		\$ 4,951,901
Accrued post closure costs	\$ 4,970,527	437,431	5,407,958
Accrued closure liability	1,845,784		1,845,784
Total	\$ 11,768,212	\$ 437,431	\$ 12,205,643

H. Northside Regional Landfill

Beginning in 1992, the City started using a recently completed Northside Regional Landfill for the disposal of bypass waste and demolition debris. The 16 acre cell has a capacity of approximately 400,000 cubic yards (Phase I) and may be increased an additional 600,000 cubic yards (Phase II). State and federal laws and regulations require the City to place a final cover on the Northside Regional Landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Postclosure care consists of (1) maintaining the integrity and effectiveness of the final cover; (2) maintaining and operating the leachate collection system; (3) maintaining and operating the ground and surface water monitoring systems; and (4) maintaining and operating the gas monitoring systems. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City recognizes a portion of these costs in each operating period based on landfill capacity used as of the balance sheet date.

The \$1.8 million reported as landfill closure liability at December 31, 2017 represents the cumulative amount reported based on the use of 63 percent of the estimated capacity of Phase 1. The City will recognize the remaining estimated cost of closure of \$1.1 million as the remaining estimated capacity (Phase 1) is filled. All amounts recognized are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of December 31, 2017, the City held \$1.8 million of restricted cash, which is reserved for the closure of the Northside Regional Landfill (Phase 1).

I. Pollution Remediation

Riverfront Park

The City of Spokane has established a Redevelopment Opportunity Zone (ROZ) to align with the ongoing redevelopment efforts by the City of Spokane and the Spokane Park Board within Riverfront Park. This new policy tool was enacted as part of a reform bill to the Model Toxics Control Act (MTCA) enacted by Senate Bill 5296. The fundamental principle of the brownfield reforms is to support efforts that leverage market redevelopment forces to drive cleanup projects forward. As a complement to the traditional enforcement-based approach to cleanup, the brownfield redevelopment focused approach creates incentives to reduce risk and improve the financial feasibility of adaptive re-use of contaminated properties.

The proposed geographic extent of the RFP ROZ focuses on the City-owned public Riverfront Park. Riverfront Park is Spokane's premier example of the brownfield reuse. Riverfront Park occupies 100 acres of land and water in the center of downtown Spokane. The Spokane Falls and the surrounding land had long been a gathering place for people. Native Americans gathered and fished at the falls.

SB 5296 requires that the following criteria be met in order to establish a ROZ:

- At least fifty percent of the upland properties in the zone are brownfield properties whether or not the properties are contiguous.
- The upland portions of the zone are comprised entirely of parcels of property either owned by the designating agency (port, city or county) or whose owner has provided consent in writing to have their property included within the zone.
- The cleanup of brownfield properties will facilitate the implementation of the voter approved Redevelopment Master Plan for the future uses of the properties and is consistent with the city or county comprehensive land use plan for the zone; and
- The proposed properties lie within the incorporated area of a city or within an urban growth area

A Phase I Environmental Site Assessment of the Riverfront park property has identified a number of recognized environmental conditions, including:

- Mining in the Coeur D'Alene Basin has contaminated stretches of the Spokane River with arsenic, cadmium, lead, and zinc (heavy metals). Portions of the subject property border, or are surrounded by, the Spokane River. Because of likely contamination of sediments in the Spokane River and its proximity to the subject property, the identified Spokane River area-wide metals contamination is considered a REC to the subject property.
- Historical occupants of the subject property are considered RECs. These occupants include:
 - Railroads,
 - Laundries and drycleaners,
 - Various types of mills and factories,
 - An asphalt plant,
 - Lumber yards,
 - Foundries,
 - Iron works,
 - Power companies,
 - Machine shops,
 - Pottery shops,
 - Auto service stations,
 - Seed companies,
 - Coal storage, and
 - Other occupants with chemical storage facilities and/or USTs and AS
- The presence and unknown source of large amounts of fill material located throughout the subject property, as well as the possibility that debris from the fire of 1889 is located throughout fill material on the subject property, represent a REC to the subject property.
- The staining observed near a floor drain inside the containment area located under the large compressor in the ice rink compressor room represent a REC to the subject property.
- The leaking piping or fill port in the ice rink area on the subject property represents a REC to the subject property.
- The lack of documentation regarding the removal of the two, 1,000-gallon and one, 250-gallon underground storage tanks (USTs) located at the Bosch Service site represents a REC to the subject property.
- The historic use of and need for additional assessment at the Spokane City Central Park Maintenance
- Pro site, as well as the lack of documentation regarding the USTs or ASTs at the site, and the presence of multiple contaminants, some at concentrations greater than cleanup levels, represent a REC to the subject property.
- The presence of soil and groundwater contamination greater than cleanup levels at the Anthony's Restaurant (formerly Salty's on the Falls) property represents a REC to the subject property.
- The presence of groundwater contamination greater than cleanup levels at the Continental Baking Company site represents a REC to the subject property.
- The documentation of many activities which could result in soil and/or groundwater contamination at the Carnation Dairy portion of the Carnation Dairy site represents a REC to the subject property.
- The lack of documentation regarding the removal or fate of the 2,000- and 6,000-gallon USTs on the Dairy Garage portion of the Carnation Dairy site represents a REC to the subject property.

- The presence of floor drains and sumps and sediment/sludge with strong petroleum odor present near and inside these structures on the Dairy Garage portion of the Carnation Dairy site represents a REC to the subject property.
- The presence of soil and groundwater contamination greater than MTCA cleanup levels on the Dairy Garage portion of the Carnation Dairy site represent a REC to the subject property.
- The presence of soil contamination greater than MTCA cleanup levels on the parking area portion of the Carnation Dairy site represents a REC to the subject property.
- The presence of soil and historic groundwater contamination greater than cleanup levels at the Convention Center site represents a REC to the subject property.
- The uncertainty regarding possible groundwater contamination at the Upper Falls East/Old Joe Clark's site represents a REC to the subject property.

The City of Spokane entered into an agreement with Stantec Consulting to evaluate potential cleanup alternatives based on the following criteria: effectiveness, implementation feasibility, remedial costs, and general reasonableness. The evaluation of cleanup resulted in three alternatives. These alternatives were used to measure the liability associated with pollution remediation calculated using the probability-weighted amount shown below.

Pollution Remediation Measurement Riverfront Park	Probability of Choice	Estimated Costs	Pollution remediation
Alternative #1 - No Action	0%	\$ -	\$ -
Alternative #2 - Impacted and contaminated soil segregation and stockpiling clean soil for reuse	90%	1,550,000	1,395,000
Alternative #3 - Off-site Disposal of all soil low range	5%	2,000,000	100,000
Alternative #3 - Off-site Disposal of all soil high range	5%	2,500,000	125,000
			\$ 1,620,000

In April 27, 2016, WA State Department of Ecology accepted the Parks and Recreation Division's Voluntary Cleanup Program (VCP) application, following geotech and environmental testing in preparation for the construction of the "Ice Ribbon"

- Environmental testing indicated the presence of PAHs, arsenic, cadmium and lead above MTCA Method A cleanup criteria. Lube oil range hydrocarbons could also be present greater than MTCA Method A Cleanup Criteria. Multiple infrastructure projects are planned for Riverfront Park. Projects will include earthwork (excavation and filling) and modifications to existing stormwater disposal methods within areas identified to have contamination greater than MTCA Method A cleanup criteria.

The Yard

The YARD is located in the Hillyard Area of Northeast Spokane and encompasses approximately 500 acres of Heavy and Light Industrial zoned property. As a key industrial space, the YARD is modernizing to include upgraded transportation options and enterprising redevelopment initiatives.

The City of Spokane has applied for \$600,000 in EPA Brownsfield Assessment and Clean up grant funds to contract for consulting services to evaluate the sites in the Yard, present the cleanup alternatives along with associated costs. There is no reasonable estimate of the pollution remediation liability at this time.

The City has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected case flow

technique in accordance with GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations.

The City is aggressively pursuing other third parties that may have contributed to contamination of the sites within the City and continues to evaluate all properties for various contaminants in order to better understand the extent of any contamination and/or possible claims for cleanup costs. The City has not yet received any recovery from other Parties for their share of remediation work that will offset the City's estimated environmental liability was zero for 2016 and 2017.

Note 13

Prior Period Adjustments

The Statement of Activities reports a change to net position as follows:

Prior Period Adjustment	
Governmental Activities	\$ 3,715,956
Business-Type Activities	(355,536)
Total	3,360,420

Governmental Funds	
General Fund	\$ (253)
Special Revenue Funds	(381,137)
Total	(381,390)

Governmental Funds	
Capital Asset Correction¹	
Street Fund	207,438
EMS/Fire	13,240
Community Centers	(9,433)
Library	3,886,101
Total	\$ 4,097,346

¹Because capital assets are not recorded in governmental funds they are not reflected in the fund financial statements, corrections of prior period balances only affect the government-wide financial statements.

Governmental Activities

\$253 reduction due moving a prior year liability to the general fund for unclaimed property.

\$287,927 reduction due to change in prior year allocation.

\$44,403 reduction due to correction in prior year accruals.

\$48,807 reduction due to correction of prior year loan balances.

\$207,438 increase for correction of prior year beginning balance in fixed assets that was adjusted incorrectly.

\$13,240 increase in capital assets for EMS/Fire due to a correction to capture fixed assets not capitalized.

\$ 9,433 reduction due to correction of disposal of prior year fixed asset.

\$275,247 reduction in capital assets for prior year correction to beginning balance of equipment.

\$4,161,348 increase due to prior year correction of depreciation.

Business-Type Activities	
Water/Sewer Fund	(358,324)
Other Enterprise Funds	2,788
Total	\$ (355,536)

Business-Type Activities

\$257,153 increase was due to a correction of prior year accruals.

\$615,477 decrease was due to adding accrued interest to long term debt

\$2,788 increase due to funds received applicable to the prior year

Net Opeb and Total Opeb Liability

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, has a primary objective to improve accounting and financial reporting for postemployment benefits other than pensions (Other postemployment benefits or OPEB). Opeb produced from a defined benefit plan administered through a trust has Net OPEB liability and Opeb accounted for outside of a trust has Total Opeb liability.

The beginning Net OPEB liability less the amount recorded as Net OPEB and Total OPEB obligation is reflected as a change in accounting principle. The Statement of Activities was impacted as follows:

Change in Accounting Principle (GASB 75)	
Governmental Activities	(93,570,947)
Busines-Type Activities	(\$2,342,938)
Total	\$ (95,913,885)

Note 14

Legal Matters

In the normal course of governmental operations the City has claims filed against it for various losses related to tort actions for such things as wrongful acts, injuries, or damages for which a civil action can be brought, and other routine legal proceedings. At any given point in time, there is a recurring volume of tort and other claims for compensation and damages against the City, which could impact expenditures. The City's Risk Management Fund provides for these claims, and insurance is available to pay a portion of damages for certain types of claims. The collective impact of these claims is not likely to have a material impact on the City's financial position. There are no known pending or anticipated legal matters that would materially affect the financial statements of the City for the year ending December 31, 2017.

Note 15

Subsequent Events

There are no subsequent events for the fiscal year ending December 31, 2017.

Note 16

Tax Abatements

A. Multiple-Family Housing Property Tax Exemption Program

Required disclosure by the City of Spokane concerning compliance with GASB Statement 77 which requires governments that enter into tax abatement agreements to disclose the following information about those agreements:

1. Tax being abated: The City of Spokane adopted the 'Multiple Family Housing Property Tax Exemption Program' in March of 2000 in order to accomplish the following goals:
 - a. encourage more multi-family housing opportunities, including affordable housing opportunities, within the City;
 - b. stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multi-family housing;
 - c. increase the supply of mixed-income multifamily housing opportunities within the City;
 - d. accomplish the planning goals required under the Growth Management Act, chapter 36.70A RCW, as implemented from time to time by the City's current and future comprehensive plans;
 - e. promote community development, neighborhood revitalization, and availability of affordable housing;
 - f. preserve and protect buildings, objects, sites and neighborhoods with historic, cultural, architectural, engineering or geographic significance located within the City; and
 - g. encourage additional housing in areas that are consistent with planning for public transit systems.
 - h. Any one or a combination of these purposes may be furthered by the designation of a residential targeted area
 - i. To accomplish these goals, the City of Spokane offers a partial property tax exemption to eligible property owners who construct new multi-family housing or rehabilitate existing vacant and underutilized buildings for multi-family housing in specific targeted urban centers of the City. Under this incentive, the land is fully taxed but the value of new improvements related to housing is exempt from property taxes. The exemption period is 8 years for market rate projects, and 12 years for projects that price at least 20% of the units to be affordable for low to moderate income households.
2. The authority under which tax abatements are provided: The multiple-family housing property tax exemption is authorized by the Spokane Municipal Code section SMC 8.15 and the Revised Code of Washington section RCW 84.14.
3. Eligibility criteria: To be eligible for a partial property tax exemption under this program, the property must satisfy all of the relevant requirements, as follows:
 - a. Located in a residential targeted area in an urban center.
 - b. The multi-family project must consist of at least 4 dwelling units, either within a solely residential structure or as part of a mixed use development in which at least 50% of the space within the development is intended for permanent residential occupancy.
 - c. New construction, or conversion of non-residential space: A minimum of 4 new dwelling units must be created.
 - d. Rehabilitation or demolition in preparation for new construction: The residential portion must fail to comply with one or more standards of the building codes, and the project must achieve substantial compliance with the applicable standards.
 - e. If existing multi-family housing is occupied, the project must add a minimum of 4 dwelling units. Also, the applicant must provide each existing tenant with housing of comparable size, quality and price and a reasonable opportunity to relocate. If the multi-family

property has been vacant for 12 or more months, the project must rehabilitate at least 4 of the existing dwelling units but does not have to provide additional multi-family units.

- f. If the multi-family structure has not been vacant for 12 months, the project must rehabilitate all the existing structures and create 4 additional units. Eligible market rate projects get 8 years of partial tax exemption. In order to qualify for 12 years of partial tax exemption, at least 20% of the units in a project must be rented or sold for a price affordable to low ($\leq 80\%$ AMI) or moderate (80-115% AMI) income households. Projects intended solely for owner occupancy need only target 20% of the units to moderate-income households. "Affordable" housing means that housing costs (including utilities other than telephone) should not exceed 30% of the occupant's monthly income. The project must comply with all applicable zoning requirements, design review requirements, land use regulations, and building and housing code requirements at the time of new construction, rehabilitation or conversion.
 - g. This program applies to construction or rehabilitation of 4 or more dwelling units in one building on one parcel. The program may also be used for rehabilitation of existing multi-family housing that is in "non-compliance" with one or more standards of the building or housing codes. Work must be completed within 3 years of the date of the Conditional Certificate of Acceptance of Tax Exemption.
4. Mechanism by which taxes are abated: The tax exemption begins January 1 of the year following the calendar year in which the Final Certificate of Tax Exemption is issued, and runs for 8 or 12 years. A property owner within a designated "residential target area" can apply for the property tax exemption. The City Council has designated three residential target areas:
 - a) Central Business District
 - b) Browne's Addition/Peaceful Valley
 - c) Centers and Corridors

An application for this tax exemption program must be submitted before an application for building or other construction permits. Once approved, a contract is filed with the County Assessors office and is noted on the individual's property tax filing. This is not a reduction in current property taxes it is an exemption of taxes on the assessed value of the improvements.

For example an individual has a piece of property with the assessed value of \$40,000 they qualify for an exemption and the improved assessed value is \$240,000 the individual will only pay the taxes on the original \$40,000 until the contract expires.

5. Provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients: The city has no provisions to recapture abated taxes. However, the city has requirements that must be met by the applicants including but not limited to the following. Application for the multi-family housing tax exemption is made through the City of Spokane using the application forms available from the Development Incentives Department located on the 3rd floor of City Hall. The application includes:
 - a) Application for Tax Exemption, including
 - i. Description of Project
 - ii. Preliminary Site and Floor Plans
 - iii. "Before" photos
 - iv. Statement of Potential Tax Liability
 - b) Verification of Code Noncompliance (if applicable)
 - c) Application fee: \$450 + \$80/dwelling unit up to an additional \$560
 - d) Approval Process
 - i. Code Non-compliance..... Building Official, Fire Marshall, or Code Enforcement
 - ii. Application for Conditional Certificate..... Development Incentives
 - iii. Building Permit..... Building Department
 - iv. Resolution..... City Council
 - v. Agreement [the contract] Mayor's Office
 - vi. Conditional Certificate..... Mayor's Office
 - vii. Certificate of Occupancy... Building Department

viii. Application for Final Certificate..... Development Incentives
ix. Partial Tax Exemption..... Assessor's Office

- e) Within 30 days of receipt of all materials required for a final certificate, the Director of Development Incentives will determine whether the completed work is consistent with the contract and qualifies for the exemption. If the Director determines the work is consistent with the contract and qualifies for the exemption, within 10 days after making the determination, the City will file a Final Certificate of Tax Exemption with the County Auditor, with a copy to the County Assessor and City Clerk.
 - f) If the Director determines that the work is not consistent with the contract or otherwise does not comply with requirements for the tax exemption, including completion within 3 years and affordable housing requirements, the Director will notify the applicant in writing, stating the reasons why the Final Certificate of Tax Exemption will not be issued. The applicant may appeal this decision following the timeframes outlined under the "appeals" portion of this brochure.
 - g) Within 30 days after the first anniversary of the date when the Final Certificate of Tax Exemption was filed and recorded with the Spokane County Auditor, and each year thereafter for the tax exemption period, each property owner must file an annual report form with the Development Incentives Department regarding the current occupancy, use and affordability of the property and describing any improvements or changes that have since been made to the property. Failure to submit the annual report, or changing the use from residential may result in cancellation of the tax exemption.
6. The gross dollar amount of taxes abated during the period: The gross benefit to all property owners during the 2017 fiscal year was \$2,467,862.13.
7. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.
- a. The program established by this program authorized by the Spokane city council and has been extended to expire December 31, 2028, unless extended by the city council by ordinance. Upon expiration, no further applications for a conditional certificate of tax exemption shall be accepted. Incomplete applications shall be returned to the applicant. Pending complete applications for a conditional certificate, extension of conditional certificate and final certificate shall be processed as provided in this city code section.

The City is also subject to tax abatements (exemptions) for three programs (1) Multi-unit urban housing (2) Future churches, parsonages, and convents, (3) Future nonprofit low-income housing are granted by the Washington State Department of Revenue. The amount of tax benefit received by the taxpayers for the calendar year 2017 have been estimated by the WA State DOR and are available on their website at <https://dor.wa.gov/doing-business/information-local-governments/governmental-accounting-standards-board-gasb-statement-no-77>.

Under the Multi-unit urban housing the following are exempt from taxation:

- (1)(a) The value of new housing construction, conversion, and rehabilitation improvements qualifying under chapter RCW 84.14.020 is exempt from ad valorem property taxation, as follows:
 - (i) For properties for which applications for certificates of tax exemption eligibility are submitted under chapter 84.14 RCW before July 22, 2007, the value is exempt for ten successive years beginning January 1 of the year immediately following the calendar year of issuance of the certificate; and
 - (ii) For properties for which applications for certificates of tax exemption eligibility are submitted under chapter 84.14 RCW on or after July 22, 2007, the value is exempt:
 - (A) For eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; or
 - (B) For twelve successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under chapter 84.14 RCW and meets the conditions in this subsection (1)(a)(ii)(B). For the property to qualify for the

twelve-year exemption under this subsection, the applicant must commit to renting or selling at least twenty percent of the multifamily housing units as affordable housing units to low and moderate-income households, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the local government under this chapter. In the case of projects intended exclusively for owner occupancy, the minimum requirement of this subsection (1)(a)(ii)(B) may be satisfied solely through housing affordable to moderate-income households.

(b) The exemptions provided in (a)(i) and (ii) of this subsection do not include the value of land or non-housing-related improvements not qualifying under this chapter.

(2) When a local government adopts guidelines pursuant to RCW 84.14.030(2) and includes conditions that must be satisfied with respect to individual dwelling units, rather than with respect to the multiple-unit housing as a whole or some minimum portion thereof, the exemption may, at the local government's discretion, be limited to the value of the qualifying improvements allocable to those dwelling units that meet the local guidelines.

(3) In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to the submission of the application required under this chapter. The incentive provided by this chapter is in addition to any other incentives, tax credits, grants, or other incentives provided by law.

(4) This chapter does not apply to increases in assessed valuation made by the assessor on non-qualifying portions of building and value of land nor to increases made by lawful order of a county board of equalization, the department of revenue, or a county, to a class of property throughout the county or specific area of the county to achieve the uniformity of assessment or appraisal required by law.

(5) At the conclusion of the exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes of chapter 84.55 RCW.

Under the Future churches, parsonages and convents, the following real property is exempt from taxation:

(1) All lands, buildings, and personal property required for necessary administration and maintenance, used, or to the extent used, exclusively for public burying grounds or cemeteries without discrimination as to race, color, national origin or ancestry;

(2)(a) All churches, personal property, and the ground, not exceeding five acres in area, upon which a church of any nonprofit recognized religious denomination is or will be built, together with a parsonage, convent, and buildings and improvements required for the maintenance and safeguarding of such property. The area exempted in any case includes all ground covered by the church, parsonage, convent, and buildings and improvements required for the maintenance and safeguarding of such property and the structures and ground necessary for street access, parking, light, and ventilation, but the area of unoccupied ground exempted in such cases, in connection with church, parsonage, convent, and buildings and improvements required for the maintenance and safeguarding of such property, does not exceed the equivalent of one hundred twenty by one hundred twenty feet except where additional unoccupied land may be required to conform with state or local codes, zoning, or licensing requirements. The parsonage and convent need not be on land contiguous to the church property. Except as otherwise provided in this subsection, to be exempt the property must be wholly used for church purposes.

(b) If the rental income or donations, if applicable, are reasonable and do not exceed the maintenance and operation expenses attributable to the portion of the property loaned or rented, the exemption provided by this subsection (2) is not nullified by:

(i) The loan or rental of property otherwise exempt under this subsection to a nonprofit organization, association, or corporation, or school to conduct an eleemosynary activity or to conduct activities related to a farmers market. However, activities related to a farmers market may not occur on the property more than fifty-three days each assessment year. For the purposes of this section, "farmers market" has the same meaning as "qualifying farmers market" as defined in RCW 66.24.170;

(ii) The rental or use of the property by any individual, group, or entity, where such rental or use is not otherwise authorized by this subsection (2), for not more than fifty days in each calendar year, and the property is not used for pecuniary gain or to promote business activities for more than fifteen of the fifty days in each calendar year. The fifty and fifteen-day limitations provided in this subsection (2)(b)(ii) do not include days used for setup and takedown activities preceding or following a meeting or other event by an individual, group, or entity using the property as provided in this subsection (2)(b)(ii); or

(iii) An inadvertent use of the property in a manner inconsistent with the purpose for which exemption is granted, if the inadvertent use is not part of a pattern of use. A pattern of use is presumed when an inadvertent use is repeated in the same assessment year or in two or more successive assessment years.

Under Future nonprofit low-income housing:

- (1) The real and personal property owned or used by a nonprofit entity in providing rental housing for very low-income households or used to provide space for the placement of a mobile home for a very low-income household within a mobile home park is exempt from taxation if:
 - (a) The benefit of the exemption inures to the nonprofit entity;
 - (b) At least seventy-five percent of the occupied dwelling units in the rental housing or lots in a mobile home park are occupied by a very low-income household; and
 - (c) The rental housing or lots in a mobile home park were insured, financed, or assisted in whole or in part through one or more of the following sources:
 - (i) A federal or state housing program administered by the *department of community, trade, and economic development;
 - (ii) A federal housing program administered by a city or county government;
 - (iii) An affordable housing levy authorized under RCW 84.52.105; or
 - (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and any of the surcharges authorized in chapter 43.185C RCW.
- (2) If less than seventy-five percent of the occupied dwelling units within the rental housing or lots in the mobile home park are occupied by very low-income households, the rental housing or mobile home park is eligible for a partial exemption on the real property and a total exemption of the housing's or park's personal property as follows:
 - (a) A partial exemption shall be allowed for each dwelling unit in the rental housing or for each lot in a mobile home park occupied by a very low-income household.
 - (b) The amount of exemption shall be calculated by multiplying the assessed value of the property reasonably necessary to provide the rental housing or to operate the mobile home park by a fraction. The numerator of the fraction is the number of dwelling units or lots occupied by very low-income households as of December 31st of the first assessment year in which the rental housing or mobile home park becomes operational or on January 1st of each subsequent assessment year for which the exemption is claimed. The denominator of the fraction is the total number of dwelling units or lots occupied as of December 31st of the first assessment year the rental housing or mobile home park becomes operational and January 1st of each subsequent assessment year for which exemption is claimed.
- (3) If a currently exempt rental housing unit in a facility with ten units or fewer or mobile home lot in a mobile home park with ten lots or fewer was occupied by a very low-income household at the time the exemption was granted and the income of the household subsequently rises above fifty percent of the median income but remains at or below eighty percent of the median income, the exemption will continue as long as the housing continues to meet the certification requirements of a very low-income housing program listed in subsection (1) of this section. For purposes of this section, median income, as most recently determined by the federal department of housing and urban development for the county in which the rental housing or mobile home park is located, shall be adjusted for family size. However, if a dwelling unit or a lot becomes vacant and is subsequently re-rented, the income of the new household must be at or below fifty percent of the median income adjusted for family size as most recently determined by the federal department of housing and urban development for the county in which the rental housing or mobile home park is located to remain exempt from property tax.
- (4) If at the time of initial application the property is unoccupied, or subsequent to the initial application the property is unoccupied because of renovations, and the property is not currently being used for the exempt purpose authorized by this section but will be used for the exempt purpose within two assessment years, the property shall be eligible for a property tax exemption for the assessment year in which the claim for exemption is submitted under the following conditions:
 - (a) A commitment for financing to acquire, construct, renovate, or otherwise convert the property to provide housing for very low-income households has been obtained, in whole or in part, by the nonprofit entity claiming the exemption from one or more of the sources listed in subsection (1)(c) of this section;
 - (b) The nonprofit entity has manifested its intent in writing to construct, remodel, or otherwise convert the property to housing for very low-income households; and

(c) Only the portion of property that will be used to provide housing or lots for very low-income households shall be exempt under this section.

(5) To be exempt under this section, the property must be used exclusively for the purposes for which the exemption is granted, except as provided in RCW 84.36.805.

(6) The nonprofit entity qualifying for a property tax exemption under this section may agree to make payments to the city, county, or other political subdivision for improvements, services, and facilities furnished by the city, county, or political subdivision for the benefit of the rental housing. However, these payments shall not exceed the amount last levied as the annual tax of the city, county, or political subdivision upon the property prior to exemption.

(7) As used in this section:

(a) "Group home" means a single-family dwelling financed, in whole or in part, by one or more of the sources listed in subsection (1)(c) of this section. The residents of a group home shall not be considered to jointly constitute a household, but each resident shall be considered to be a separate household occupying a separate dwelling unit. The individual incomes of the residents shall not be aggregated for purposes of this exemption;

(b) "Mobile home lot" or "mobile home park" means the same as these terms are defined in RCW 59.20.030;

(c) "Occupied dwelling unit" means a living unit that is occupied by an individual or household as of December 31st of the first assessment year the rental housing becomes operational or is occupied by an individual or household on January 1st of each subsequent assessment year in which the claim for exemption is submitted. If the housing facility is comprised of three or fewer dwelling units and there are any unoccupied units on January 1st, the department shall base the amount of the exemption upon the number of occupied dwelling units as of December 31st of the first assessment year the rental housing becomes operational and on May 1st of each subsequent assessment year in which the claim for exemption is submitted;

(d) "Rental housing" means a residential housing facility or group home that is occupied but not owned by very low-income households;

(e) "Very low-income household" means a single person, family, or unrelated persons living together whose income is at or below fifty percent of the median income adjusted for family size as most recently determined by the federal department of housing and urban development for the county in which the rental housing is located and in effect as of January 1st of the year the application for exemption is submitted; and

(f) "Nonprofit entity" means a:

(i) Nonprofit as defined in RCW 84.36.800 that is exempt from income tax under section 501(c) of the federal internal revenue code;

(ii) Limited partnership where a nonprofit as defined in RCW 84.36.800 that is exempt from income tax under section 501(c) of the federal internal revenue code, a public corporation established under RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority created under RCW 35.82.030 or 35.82.300, or a housing authority meeting the definition in RCW 35.82.210(2)(a) is a general partner; or

(iii) Limited liability company where a nonprofit as defined in RCW 84.36.800 that is exempt from income tax under section 501(c) of the federal internal revenue code, a public corporation established under RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority established under RCW 35.82.030 or 35.82.300, or a housing authority meeting the definition in RCW 35.82.210(2)(a) is a managing member.

Information relevant to disclosure of those programs for the fiscal year ended December 31, 2017 is:

Tax Abatement Program State Imposed	Amount of Taxes Abated during the Fiscal Year 2017
Multi-unit urban housing	\$ 662,782
Churches, parsonages, and convents	\$ 883
Future nonprofit low-income housing	4,620
Total	\$ 668,285

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund Accounts
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues				
Taxes	\$ 155,355,000	\$ 155,355,000	\$ 160,019,356	\$ 4,664,356
Licenses and permits	6,799,000	6,799,000	7,315,253	516,253
Intergovernmental	14,811,636	15,360,460	6,375,196	(8,985,264)
Charges for services	15,388,454	15,992,921	19,585,639	3,592,718
Fines and forfeitures	2,863,150	2,863,150	3,338,326	475,176
Miscellaneous	7,139,040	7,139,040	8,165,828	1,026,788
Net inc(dec) in market value of investments	-	-	1,987,713	1,987,713
Total revenues	202,356,280	203,509,571	206,787,311	3,277,740
EXPENDITURES				
General government	31,647,662	32,296,571	31,433,935	862,636
Public safety	111,303,417	112,408,998	112,748,488	(339,490)
Transportation	6,302,810	6,402,399	6,346,328	56,071
Economic environment	5,118,258	6,077,431	4,583,044	1,494,387
Social services	1,784,610	2,440,121	2,167,341	272,780
Culture and recreation	8,803,602	8,642,056	8,774,374	(132,318)
Capital outlays	1,865,760	2,024,753	1,531,171	493,582
Interest	-	-	(3,488)	3,488
Total expenditures	166,826,119	170,292,329	167,581,193	2,711,136
Excess (deficiency) of revenues over expenditures	35,530,161	33,217,242	39,206,118	5,988,876
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	294,390	294,390
Transfers in	48,522,663	48,522,663	890,265	(47,632,398)
Transfers out	(78,848,352)	(78,283,105)	(30,277,359)	48,005,746
Total other financing sources (uses)	(30,325,689)	(29,760,442)	(29,092,704)	667,738
Net change in fund balance	5,204,472	3,456,800	10,113,414	6,656,614
Fund balance - beginning	41,073,772	41,073,772	40,909,997	(163,775)
Prior Period Adjustment	-	-	(253)	(253)
Fund balance - ending	\$ 46,278,244	\$ 44,530,572	\$ 51,023,158	\$ 6,492,586

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios SERS as of Measurement Date 12/31/16

	2017	2016	2015
Total pension liability			
Service cost	\$ 12,896,547	\$ 12,384,960	\$ 11,405,611
Interest	27,443,176	26,359,257	25,718,424
Changes of benefit terms		-	86,298
Differences between expected and actual experience	12,381,445	6,483,011	18,507,784
Changes of assumptions	(14,542,266)	-	-
Benefit payments, including refunds of member contributions	(26,467,256)	(24,597,020)	(22,884,026)
Net change in total pension liability	11,711,646	20,630,208	32,834,091
Total pension liability—beginning	512,023,333	491,393,125	458,559,034
Total pension liability—ending (a)	<u>\$ 523,734,979</u>	<u>\$ 512,023,333</u>	<u>\$ 491,393,125</u>
Plan fiduciary net position			
Contributions—employer	\$ 7,586,362	\$ 7,398,945	\$ 6,822,279
Contributions—member	7,586,362	7,402,905	6,822,279
Net investment income	16,802,274	(3,228,439)	14,497,901
Benefit payments, including refunds of member contributions	(26,467,256)	(24,597,020)	(22,884,026)
Administrative expense	(477,252)	(447,921)	(386,713)
Other	-	-	-
Net change in plan fiduciary net position	5,030,490	(13,471,530)	4,871,720
Plan fiduciary net position—beginning	272,301,291	285,772,821	280,901,101
Plan fiduciary net position—ending (b)	<u>\$ 277,331,781</u>	<u>\$ 272,301,291</u>	<u>\$ 285,772,821</u>
Plan's net pension liability—ending (a) – (b)	<u>\$ 246,403,198</u>	<u>\$ 239,722,042</u>	<u>\$ 205,620,304</u>
Less (Public Facilities District)	(601,330)	(600,946)	(474,484)
Plan's net pension liability—Net of the PFD	<u>\$ 245,801,868</u>	<u>\$ 239,121,096</u>	<u>\$ 205,145,820</u>
Plan fiduciary net position as a percentage of the total pension liability	53.01%	53.24%	58.21%
Pensionable covered payroll	\$ 102,378,550	\$ 93,899,096	\$ 89,034,522
Plan's net pension liability as a percentage of covered payroll	240.70%	255.30%	230.90%

*The amount presented for each fiscal year were determined as of the end of the previous fiscal year.

Legislative and administrative changes. Effective January 1, 2015, the following changes were enacted for all employees hired on or after January 1, 2015. 1) Early retirement is permitted at any time after attaining age 50 with the sum of age plus years of eligible service greater than or equal to 80, 2) Final compensation is defined as the highest average annual compensation received during any three consecutive years, 3) Normal retirement date is defined as the first day of the month coinciding with or next following the attainment of age 65 and completion of 7 years of eligible service, and 4) Benefit eligibility at termination requires at least 7 years of eligible service. The System added a new benefit tier for employees hired on or after January 1, 2018. The details of the tier are included in the "Benefits Provided" of Note 1 to the Financial Statements.

Effective December 17, 2017, the annual Contribution Rate was changed to 18.00% of payroll (9.00% of pay paid by the Employee, 9.00% of pay paid by the Employer). Previously the Contribution Rate was 16.5% of payroll (8.25% of pay paid by the Employee, 8.25% of pay paid by the Employer) since September 1, 2014

Schedule of Changes in Net Pension Liability and Related Ratios Firefighters' Pension as of Measurement Date 12/31/16

	2017	2016	2015
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	815,109	831,429	938,119
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,959,170)	-	(2,281,571)
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(1,170,685)	(1,306,840)	(1,340,440)
Net change in total pension liability	(3,314,746)	(475,411)	(2,683,892)
Total pension liability—beginning	20,957,329	21,432,740	24,116,632
Total pension liability—ending (a)	\$ 17,642,583	\$ 20,957,329	\$ 21,432,740
Plan fiduciary net position			
Contributions—employer	\$ 2,152,769	\$ 2,345,156	\$ 1,529,654
Contributions—member	-	-	-
Net investment income	252,368	116,370	295,093
Benefit payments, including refunds of member contributions	(1,170,685)	(1,306,840)	(1,340,440)
Administrative expense	(15,482)	(30,577)	(13,889)
Other	-	-	-
Net change in plan fiduciary net position	1,218,970	1,124,109	470,418
Plan fiduciary net position—beginning	15,044,079	13,919,970	13,449,552
Plan fiduciary net position—ending (b)	\$ 16,263,049	\$ 15,044,079	\$ 13,919,970
Plan's net pension liability—ending (a) - (b)	\$ 1,379,534	\$ 5,913,250	\$ 7,512,770
 Plan fiduciary net position as a percentage of the total pension liability	 92.18%	 71.78%	 64.95%
 Covered payroll	 N/A	 N/A	 N/A
 Plan's net pension liability as a percentage of covered payroll	 N/A	 N/A	 N/A

**The amount presented for each fiscal year were determined as of the end of the previous fiscal year.*

Schedule of Changes in Net Pension Liability Related Ratios Police Pension as of Measurement Date 12/31/16

	2017	2016	2015
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	276,832	288,058	341,929
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,525,979)	-	(1,233,517)
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(618,629)	(705,257)	(1,100,056)
Net change in total pension liability	(1,867,776)	(417,199)	(1,991,644)
Total pension liability—beginning	9,534,768	9,951,967	11,943,611
Total pension liability—ending (a)	\$ 7,666,992	\$ 9,534,768	\$ 9,951,967
Plan fiduciary net position			
Contributions—employer	\$ 784,373	\$ 734,966	\$ 850,789
Contributions—member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(618,629)	(705,257)	(1,100,056)
Administrative expense	(17,458)	(27,666)	(12,985)
Other	-	-	-
Net change in plan fiduciary net position	148,286	2,043	(262,252)
Plan fiduciary net position—beginning	615,066	613,023	875,275
Plan fiduciary net position—ending (b)	\$ 763,352	\$ 615,066	\$ 613,023
Plan's net pension liability—ending (a) – (b)	\$ 6,903,640	\$ 8,919,702	\$ 9,338,944
 Plan fiduciary net position as a percentage of the total pension liability	 9.96%	 6.45%	 6.16%
 Covered payroll	 N/A	 N/A	 N/A
 Plan's net pension liability as a percentage of covered payroll	 N/A	 N/A	 N/A

**The amount presented for each fiscal year were determined as of the end of the previous fiscal year.*

**Schedule of City's Proportionate Share of the Net Pension Liability
(Asset) as of Measurement Date 6/30/17
LEOFF 1 (in thousands)**

	LEOFF 1		
	2017	2016	2015
City's proportion of the net pension liability (asset)	0.9544%	0.9642%	0.9613%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (14,481)	\$ (9,935)	\$ (11,586)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (97,946)	\$ (67,197)	n/a
City's covered employee payroll (in thousands)	\$ 52	\$ 76	\$ 102
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-27900.33%	-12989.69%	-11387.85%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	135.96%	123.74%	127.36%
This table will be built prospectively until it contains 10 years of data			

**Schedule of City's Proportionate Share of the Net Pension Liability
(Asset) as of Measurement Date 6/30/17
LEOFF 2 (in thousands)**

	LEOFF 2		
	2017	2016	2015
City's proportion of the net pension liability (asset)	2.0211%	2.0361%	2.0020%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (28,046)	\$ (11,842)	\$ (20,576)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (18,193)	\$ (7,720)	n/a
City's covered employee payroll (in thousands)	\$ 38,050	\$ 36,731	\$ 34,918
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-73.71%	-32.24%	-58.93%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	113.36%	106.04%	111.67%
This table will be built prospectively until it contains 10 years of data			

Schedule of Employer Contributions

SERS as of 12/31/2017

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 9,765,949	\$ 9,853,762	\$ 9,069,276	\$ 8,292,066	\$ 8,237,317
Contributions in relation to the actuarially determined contribution	8,113,319	7,586,362	7,398,945	6,822,279	6,715,376
Contribution deficiency (excess)	\$ 1,652,630	\$ 2,267,400	\$ 1,670,331	\$ 1,469,787	\$ 1,521,941
Covered payroll	\$ 98,343,261	\$ 91,955,903	\$ 89,684,182	\$ 86,139,886	\$ 86,650,013
Contributions as a percentage of covered payroll	8.25%	8.25%	8.25%	7.92%	7.75%

	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 8,325,936	\$ 10,010,885	\$ 8,955,055	\$ 8,267,280	\$ 8,826,967
Contributions in relation to the actuarially determined contribution	6,937,750	6,799,258	6,580,795	6,474,432	4,875,443
Contribution deficiency (excess)	\$ 1,388,186	\$ 3,211,627	\$ 2,374,260	\$ 1,792,848	\$ 3,951,524
Covered payroll	\$ 89,519,355	\$ 90,264,062	\$ 88,093,679	\$ 83,455,429	\$ 74,183,014
Contributions as a percentage of covered payroll	7.75%	7.75%	7.75%	7.75%	6.72%

Notes to Schedule

Valuation date: December 31, 2017

Actuarially determined contribution rates are calculated as of December 31, of the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age normal														
Amortization method	Level percentage of payroll, closed														
Remaining amortization period	22 years														
Asset valuation method	5-year smoothed market														
Inflation	2.25%														
Salary increases	In accordance with the following table based on service:														
	<table><tr><th><u>Years of Service</u></th><th><u>Annual Increase</u></th></tr><tr><td><1</td><td>12.0%</td></tr><tr><td>1-3</td><td>8.0%</td></tr><tr><td>4-6</td><td>6.0%</td></tr><tr><td>7-9</td><td>5.0%</td></tr><tr><td>10-11</td><td>4.0%</td></tr><tr><td>12+</td><td>2.0%</td></tr></table>	<u>Years of Service</u>	<u>Annual Increase</u>	<1	12.0%	1-3	8.0%	4-6	6.0%	7-9	5.0%	10-11	4.0%	12+	2.0%
<u>Years of Service</u>	<u>Annual Increase</u>														
<1	12.0%														
1-3	8.0%														
4-6	6.0%														
7-9	5.0%														
10-11	4.0%														
12+	2.0%														
Investment rate of return	7.5%, net of pension plan investment expense														

Retirement age

In accordance with the following table based on age:

<u>Age</u>	<u>Retirement Probability</u>
<50	0.0%
50-57	4.5%
58-61	7.0%
62	25.0%
63-64	15.0%
65	25.0%
66-68	20.0%
69-74	15.0%
75+	100.0%

Schedule of Employer Contributions Firefighters' Pension as of 12/31/17

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 98,333	\$ 519,891	\$ 519,891	\$ 864,697	\$ 864,697
Contributions in relation to the actuarially determined contribution	2,179,136	2,137,287	2,314,579	1,515,765	2,183,389
Contribution deficiency (excess)	\$ (2,080,803)	\$ (1,617,396)	\$ (1,794,688)	\$ (651,068)	\$ (1,318,692)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
	2012				
Actuarially determined contribution	\$ 1,070,804				
Contributions in relation to the actuarially determined contribution	439,804				
Contribution deficiency (excess)	\$ 631,000				
Covered payroll	N/A				
Contributions as a percentage of covered payroll	N/A				

Notes to Schedule

Valuation date: December 31, 2017

Actuarial cost method	Entry age normal
Amortization method	30-year, closed as of January 1, 2007
Remaining amortization period	20 years
Asset valuation method	Fair Market Value
Investment Rate of Return	3.0% (4.0% in prior years)
Projected Salary Increases	N/A
Inflation	2.50%
Cost-of-Living Adjustments	Based upon 3.5% increase assumption when

appropriate, for FPF benefits.
Based upon inflation assumption for some FPF
benefits and all LEOFF benefits.

Service Retirement	<table> <tr> <th><u>Age</u></th><th><u>Annual Rate</u></th></tr> <tr> <td>50-53</td><td>7.0%</td></tr> <tr> <td>54</td><td>11.0%</td></tr> <tr> <td>55-56</td><td>12.0%</td></tr> <tr> <td>57</td><td>15.0%</td></tr> <tr> <td>58-59</td><td>16.0%</td></tr> <tr> <td>60-61</td><td>23.0%</td></tr> <tr> <td>62-63</td><td>24.0%</td></tr> <tr> <td>64-65</td><td>25.0%</td></tr> <tr> <td>66</td><td>100.0%</td></tr> </table>	<u>Age</u>	<u>Annual Rate</u>	50-53	7.0%	54	11.0%	55-56	12.0%	57	15.0%	58-59	16.0%	60-61	23.0%	62-63	24.0%	64-65	25.0%	66	100.0%
<u>Age</u>	<u>Annual Rate</u>																				
50-53	7.0%																				
54	11.0%																				
55-56	12.0%																				
57	15.0%																				
58-59	16.0%																				
60-61	23.0%																				
62-63	24.0%																				
64-65	25.0%																				
66	100.0%																				
Disability Rates	<table> <tr> <th><u>Age</u></th><th><u>Annual Rate</u></th></tr> <tr> <td>30</td><td>0.8%</td></tr> <tr> <td>35</td><td>1.5%</td></tr> <tr> <td>40</td><td>2.3%</td></tr> <tr> <td>45</td><td>4.0%</td></tr> <tr> <td>50</td><td>7.0%</td></tr> <tr> <td>55</td><td>9.0%</td></tr> <tr> <td>60</td><td>10.0%</td></tr> </table>	<u>Age</u>	<u>Annual Rate</u>	30	0.8%	35	1.5%	40	2.3%	45	4.0%	50	7.0%	55	9.0%	60	10.0%				
<u>Age</u>	<u>Annual Rate</u>																				
30	0.8%																				
35	1.5%																				
40	2.3%																				
45	4.0%																				
50	7.0%																				
55	9.0%																				
60	10.0%																				
Mortality Table-Actives and Service Retirees	RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of projections Scale AA, with ages set back one year.																				
Mortality Table – Disables Retirees	RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of projections Scale AA, with ages set forward two years.																				
Mortality Table – Spouses	RP-2000 Mortality Table for females (combined healthy), Fully Generational Projection, using 50% of projections Scale AA, with ages set forward one years.																				

Schedule of Employer Contributions

Police Pension as of 12/31/17

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 447,851	\$ 585,998	\$ 585,998	\$ 586,637	\$ 586,637
Contributions in relation to the actuarially determined contribution	637,580	766,915	707,300	837,804	845,079
Contribution deficiency (excess)	\$ (189,729)	\$ (180,917)	\$ (121,302)	\$ (251,167)	\$ (258,442)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

	<u>2012</u>
Actuarially determined contribution	\$ 734,291
Contributions in relation to the actuarially determined contribution	<u>869,885</u>
Contribution deficiency (excess)	<u>\$ (135,594)</u>
Covered payroll	N/A
Contributions as a percentage of covered payroll	N/A

Notes to Schedule

Valuation date: December 31, 2017

Actuarial cost method	Entry age normal
Amortization method	30-year, closed as of January 1, 2007
Remaining amortization period	20 years
Asset valuation method	Fair Market Value
Records and Data	Census data as well as financial information used for this was received from the City and reviewed for reasonableness only.
Investment Rate of Return	3.0%
Projected Salary Increases	N/A
Inflation	2.50%
Cost-of-Living Adjustments	Based upon 3.5% increase assumption when appropriate, for PPF benefits. Based upon inflation assumption for some PPF benefits and all LEOFF benefits.

Service Retirement	<u>Age</u>	<u>Annual Rate</u>
	50-53	7.0%
	54	11.0%
	55-56	12.0%
	57	15.0%
	58-59	16.0%
	60-61	23.0%
	62-63	24.0%
	64-65	25.0%
	66	100.0%

Disability Rates	<u>Age</u>	<u>Annual Rate</u>
	30	0.8%
	35	1.5%
	40	2.3%
	45	4.0%
	50	7.0%
	55	9.0%
	60	10.0%

Mortality Table-Actives and Service Retirees	RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of projections Scale AA, with ages set back one year.
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Mortality Table – Disables Retirees	RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of projections Scale AA, with ages set forward two years.
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Mortality Table – Spouses

RP-2000 Mortality Table for females (combined healthy), Fully Generational Projection, using 50% of projections Scale AA, with ages set forward one years.

Other Terminations of employment

None

Family Composition

All active members are assumed to be married, with no children, when they retire. Marital status of retirees has been supplied by the City. Wives are assumed to be three years younger than their husbands. Surviving spouses are assumed not to remarry.

Vesting

Terminating members may forfeit a vested right to a deferred benefit if they withdraw their accumulated contributions. For the purpose of the valuation, it is assumed that no forfeitures will occur.

Schedule of Employer Contributions LEOFF 1 as of 12/31/17

City's Proportionate Share (in thousands)		2017	2016	2015
Contractually Required Contributions		\$ -	\$ -	\$ -
Actuarially determined contribution (ADC)		-	-	-
Contributions in relation to the (ADC)		-	-	1
Contribution deficiency (excess)		\$ -	\$ -	\$ (1)
Covered payroll		52	76	101
Contributions as a percentage of covered payroll		0.00%	0.00%	0.57%
This table will be build prospectively until it contains 10 years of data				

Schedule of Employer Contributions LEOFF 2 as of 12/31/17

City's Proportionate Share (in thousands)		2017	2016	2015
Contractually Required Contributions		3,200		
Actuarially determined contribution (ADC)		3,033	3,089	2,951
Contributions in relation to the (ADC)		3,195	3,104	2,952
Contribution deficiency (excess)		\$ (162)	\$ (14)	\$ (1)
Covered payroll		38,049	36,731	\$ 34,918
Contributions as a percentage of covered payroll		8.40%	8.45%	8.45%
This table will be build prospectively until it contains 10 years of data				

Schedule of Investment Returns

Spokane Employee Retirement System (SERS)

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	15.40%	6.71%	-0.94%	5.34%	18.89%
	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expense	11.70%	-2.80%	13.47%	21.99%	24.68%

Fire

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	2.17%	1.90%	1.01%	2.58%	0.32%
	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expense	5.97%	3.93%	4.63%	1.27%	5.92%

Police

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	0.90%	0.00%	0.00%	0.00%	0.00%
	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	0.00%

Other Post Employment Benefits

Schedule of Changes in the City's Firefighters' Pension

Net OPEB Liability and Related Ratios

as of measurement date 12/31/2016

	2017
Total Firefighters' OPEB liability	
Service cost	\$ 4,364
Interest	1,721,361
Changes of benefit terms	-
Differences between expected and actual experience	(889,509)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(2,770,305)
Net change in total opeb liability	(1,934,089)
Total opeb liability—beginning	58,759,497
Total opeb liability—ending (a)	\$ 56,825,408
 Plan fiduciary net position	
Contributions—employer	\$ 2,777,670
Contributions—member	-
Net investment income	221,113
Benefit payments, including refunds of member contributions	(2,770,305)
Administrative expense	(276,975)
Other	
Net change in plan fiduciary net position	(48,497)
 Plan fiduciary net position—beginning	14,014,599
Plan fiduciary net position—ending (b)	\$ 13,966,102
 Plan's net opeb liability—ending (a) - (b)	\$ 42,859,306
 Plan fiduciary net position as a percentage of the total opeb liability	24.58%
 Covered payroll	N/A
 Plan's net opeb liability as a percentage of covered payroll	N/A

This table will be built prospectively until it contains 10 years of data

**The amount presented for each fiscal year were determined as of the end of the previous fiscal year.*

Schedule of Changes in the City's Police Pension Net OPEB Liability and Related Ratios as of measurement date 12/31/2016

	2017
Total Police OPEB liability	
Service cost	\$ 5,875
Interest	1,999,833
Changes of benefit terms	-
Differences between expected and actual experience	(3,649,221)
Changes of assumptions	(1,384,401)
Benefit payments, including refunds of member contributions	(2,473,394)
Net change in total opeb liability	(5,501,308)
Total opeb liability—beginning	58,368,879
Total opeb liability—ending (a)	\$ 52,867,571
Plan fiduciary net position	
Contributions—employer	\$ 2,703,355
Contributions—member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(2,473,394)
Administrative expense	(229,961)
Other	-
Net change in plan fiduciary net position	-
Plan fiduciary net position—beginning	-
Plan fiduciary net position—ending (b)	\$ -
Plan's net opeb liability—ending (a) – (b)	\$ 52,867,571
 Plan fiduciary net position as a percentage of the total opeb liability	 0.00%
 Covered payroll	 \$ -
 Plan's net opeb liability as a percentage of covered payroll	 N/A

This table will be built prospectively until it contains 10 years of data

**The amount presented for each fiscal year were determined as of the end of the previous fiscal year.*

Schedule of Changes in the City's Retiree Medical Plan 2

Total OPEB Liability and Related Ratios

as of measurement date 12/31/2016

	2017
Total Reiree Medical Plan 2 OPEB liability	
Service cost	\$ 512,615
Interest	275,198
Changes of benefit terms	-
Differences between expected and actual experience	(172,229)
Changes of assumptions	(181,786)
Benefit payments, including refunds of member contributions	(245,206)
Net change in total opeb liability	<u>188,592</u>
Total opeb liability—beginning	<u>7,472,770</u>
Total opeb liability—ending (a)	<u><u>\$ 7,661,362</u></u>
 Plan fiduciary net position	
Contributions—employer	\$ 245,206
Contributions—member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(245,206)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	<u>-</u>
 Plan fiduciary net position—beginning	<u>-</u>
Plan fiduciary net position—ending (b)	<u><u>\$ -</u></u>
 Plan's total opeb liability—ending (a) - (b)	<u><u>\$ 7,661,362</u></u>
 Plan fiduciary net position as a percentage of the total opeb liability	0.00%
 Covered-employee payroll	\$ 78,014,109
 Plan's total opeb liability as a percentage of covered-employee payroll	9.82%

This table will be built prospectively until it contains 10 years of data

**The amount presented for each fiscal year were determined as of the end of the previous fiscal year.*

Notes to Schedule

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used each period:

2017	3.75%
------	-------

Other Postemployment Benefit

Schedule of Employer Contributions

Firefighters' Pension (in thousands) as of 12/31/2017

	2017	2016	2015	2014	2013
Actuarial determined contribution	\$ 2,778	\$ 2,778	\$ 3,377	\$ 3,377	\$ 5,056
Contribution in Relation to the Actuarially Determined Contribution	2,778	2,778	3,377	3,377	5,099
Contribution Deficiency (Excess)	-	-	-	-	(43)
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

	2012	2011	2010	2009	2008
Actuarial determined contribution	\$ 5,056	\$ 4,311	\$ 4,311	\$ 3,657	\$ 3,657
Contribution in Relation to the Actuarially Determined Contribution	5,013	4,311	4,311	3,657	3,657
Contribution Deficiency (Excess)	43	-	-	-	-
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation Date: December 31, 2017

1. Actuarially determined contribution is determined for the plan year that ends in the fiscal year.
2. Methods and assumptions used to determine the contribution
 - a. Actuarial cost method Entry age normal
 - b. Amortization method Level dollar, closed
 - c. Remaining amortization period 20 years
 - d. Asset valuation method Market value of assets
 - e. Rate of inflation 0.00% per year
 - f. Salary increase 0.00% per year
 - g. Investment rate of return 3.00% per year for current valuation
 - h. Discount rate 3.00% per year for current valuation
 - i. Mortality table RP-2000 Combined Mortality table, fully generational projection with Scale BB, with male rates set back one year and female rates set forward one year
 - j. Retirement age Rates vary by age from age 50 to 66

Other Postemployment Benefits
Schedule of Employer Contributions
Police Pension (in thousands) as of 12/31/2017

	2017	2016	2015	2014	2013
Actuarial determined contributon	\$ 3,944	\$ 3,944	\$ 4,380	\$ 4,380	\$ 5,877
Actuarially Determined Contribution	2,703	2,733	3,041	2,496	2,811
Contribution Deficiency (Excess)	1,241	1,211	1,339	1,884	3,066
Covered Payroll	-	-	-	-	-
Contributions as a Perentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

	2012	2011	2010	2009	2008
Actuarial determined contributon	\$ 5,877	\$ 4,573	\$ 4,573	\$ 3,470	\$ 3,470
Actuarially Determined Contribution	2,856	3,398	2,747	2,606	2,522
Contribution Deficiency (Excess)	3,021	1,175	1,826	864	948
Covered Payroll	-	-	-	-	-
Contributions as a Perentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation Date: December 31, 2017

3. Actuarially determined contribution is determined for the plan year that ends in the fiscal year.
4. Methods and assumptions used to determine the contribution
 - k. Actuarial cost method Entry age normal
 - l. Amortization method Level dollar, closed
 - m. Remaining amortization period 20 years
 - n. Asset valuation method Market value of assets
 - o. Rate of inflation 0.00% per year
 - p. Salary increase 0.00% per year
 - q. Investment rate of return N/A
 - r. Discount rate 3.00% per year for current valuation
 - s. Mortality table RP-2000 Combined Mortality table, fully generational projection with Scale BB, with male rates set back one year and female rates set forward one year
 - t. Retirement age Rates vary by age from age 50 to 66

Notes to the Required Supplementary Information

For the Fiscal Year Ended December 31, 2017

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The actuarial methods and significant assumptions used in these valuations are available in the publicly available actuary reports for the three pension plans. These reports may be obtained by writing to the Spokane Employees' Retirement System, City Hall, 808 West Spokane Falls Blvd, Spokane, Washington, 99201 or by calling (509) 625-6330.

City of Spokane
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal program	CFDA Number	OtherAward Number	Expenditures			Passed Through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG-Entitlement Grant Cluster								
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlements Grants	14.218	B-14-MC-53-0006 B-15-MC-53-0006 B-16-MC-53-0006 Program Income		2,929,152.99		1,916,180.13	7
			Subtotal		1,673,626.97		1,580,637.81	3
					4,602,779.96	4,602,779.96	3,496,817.94	
	Total from CDBG-Entitlement Grant Cluster			-	4,602,779.96	4,602,779.96	3,496,817.94	
U.S. Department of Housing and Urban Development	Emergency Solutions Grant Program	14.231	E15-MC-53-0006 E16-MC-53-0006 E17-MC-53-0006		229,151.52	229,151.52	213,971.88	7
U.S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M-13-MC-53-0201 M-14-MC-53-0201 M-15-MC-53-0201 M-16-MC-53-0201 M-17-MC-53-0201 Program Income		1,372,227.96		1,302,794.49	7
			Subtotal		171,083.50		95,603.67	3
					1,543,311.46	1,543,311.46	1,398,398.16	
U.S. Department of Housing and Urban Development	Continuum of Care Program	14.267	WA0109L0T021508 WA0109L0T021608 WA0111L0T021508 WA0111L0T021609 WA0113L0T021508 WA0113L0T021609 WA0118L0T021508 WA0119L0T021508 WA0122L0T021508 WA0122L0T021609 WA0125L0T021508 WA0125L0T021609 WA0126L0T021508 WA0126L0T021609 WA0127L0T021508 WA0127L0T021609 WA0128L0T021508 WA0128L0T021609 WA0129L0T021508 WA0129L0T021609 WA0130L0T021508 WA0130L0T021609 WA0218L0T021505 WA0218L0T021606 WA0248L0T021504 WA0285L0T021502 WA0285L0T021603 WA0288L0T021502 WA0288L0T021603 WA0302L0T021501 WA0302L0T021602 WA0329L0T021500 WA0329L0T021601 WA0330L0T021500 WA0331L0T021500 WA0331L0T021601 WA0332L0T021500 WA0332L0T021601 WA0333L0T021500 WA0353L0T021500 WA0353L0T021600 WA0373L0T021600 WA0374L0T021600 WA0109L0T021508 WA0109L0T021508		3,307,604.61	3,307,604.61	2,988,633.61	7
U.S. Department of the Interior (Via WA State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY17-61017-007 FY17-61017-010	15,000.00 3,079.08				2
			Subtotal	18,079.08		18,079.08		
U.S. Department of Justice	Youth Gang Prevention	16.544	2016-JV-FX-0005		145,608.87	145,608.87	134,914.01	
U.S. Department of Justice (via Spokane County Sherriff's Office)	Violence Against Women Formula Grants	16.588	FY16-31103-012	9,848.95		9,848.95		2

U.S. Department of Justice (via Young Women's Christian Association)	Grants to Encourage Arrest Policies and Enforcement of Progrection Orders Program	16.590	2016-WE-AX-0051	70,500.00		70,500.00	
U.S. Department of Justice	Public Safety Partnership and Community Policing Grants	16.710	2013ULWX0053 2014ULWX0016		11,300.96 112,901.63		2 2
			Subtotal		124,202.59	124,202.59	
U.S. Department of Justice (via Center for Court Innovation)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DC-NY-K002	110,497.21		110,497.21	
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0243		26,749.10	26,749.10	
U.S. Department of Justice (via Spokane County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0243 2016-DJ-BX-0120	65,047.15 30,833.66			
			Subtotal	95,880.81		95,880.81	
			Total - CFDA 16.738	206,378.02	26,749.10	233,127.12	
U.S. Department of Justice	Equitable Sharing Program	16.922	WA0320400		61,518.04	61,518.04	
U.S. Department of Justice (via ATF National Center for Explosives Traning & Research (NCETR))	n/a	16.Unknown	n/a	1,864.00	0.00	1,864.00	2, 5(a), 8(a)
Highway Planning and Construction Cluster							
U.S. Department of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1220(025) CM-9932(039) STPUL-3792(001) STPUL-0002(314) SRTS-3881(008) STPD-3850(006) CM-3960(002) STPE-1220(032) CM-3933(001) HSIP-3991(003) STPUL-3900(004) STPUL-3756(005) STPUL-1220(033) HSIP-3900(005) SRTS-3930(001) CM-1220(034) STPUL-3840(012) CM-1220(036) STPUL-3975(002) CM-0002(828) STPUL-3997(002)	7,327,319.23		7,327,319.23	2
	Total from Highway Planning and Construction Cluster			7,327,319.23	\$ -	7,327,319.23	
U.S. Department of Transportation	Motor Carrier Safety Assistance	20.218	FM-MHP-0273-16-01-00		36,520.73	36,520.73	2
U.S. Department of Transportation	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237	FM-MHP-0289-17		11,429.96	11,429.96	2
Highway Safety Cluster							
U.S. Department of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Section 402 - Ped. Safety Zones Section 402 - Flex Funding Section 402-Statewide Seatbelt LEL Grant Section 402- Distracted Driving	26,596.16		26,596.16	
U.S. Department of Transportation (via WA Association of Sheriffs and Police Chiefs)	State and Community Highway Safety	20.600	WASPC FY 2016-2017	10,688.22		10,688.22	
			Total - CFDA 20.600	37,284.38		37,284.38	

U.S. Department of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Program	20.616	DUI Candidate Court MAP-21 Section 405d Impaired Driving Counter Measures	11,580.93 11,121.92			
				Subtotal	22,702.85		22,702.85
Total from Highway Safety Cluster					59,987.23	-	59,987.23
U.S. Department of Transportation (via Washington Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving while Intoxicated	20.608	AG-1942-DUI Enforcement	34,629.04		34,629.04	2
Department of Treasury	Equitable Sharing Program	21.WA0320400	WA0320400		1,277.79	1,277.79	8(b)
Clean Water State Revolving Fund Cluster							
Environmental Protection Agency (via WA State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2017-Spokane-00018 WQC-2017-Spokane-00020	3,376,045.04			4, 7
			WQC-2018-Spokane-00016 WQC-2018-Spokane-00123	14,352,195.07			9
				Subtotal	17,728,240.11		17,728,240.11
Total from Clean Water State Revolving Fund Cluster					17,728,240.11	-	17,728,240.11
Drinking Water State Revolving Fund Cluster							
Environmental Protection Agency (via WA State Public Works Board)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-123 DM13-952-132	776,711.11 77,950.24			4, 7 4, 7
				Subtotal	854,661.35		854,661.35
Total from Drinking Water State Revolving Fund Cluster					854,661.35	-	854,661.35
Environmental Protection Agency	Brownsfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	00J99901		23,683.94	23,683.94	
Environmental Protection Agency (via WA State Department of Ecology)	State and Tribal Response Program Grants	66.817	IIA C1800014	10,002.49		10,002.49	
Environmental Protection Agency	Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	01J11001		131,707.21	131,707.21	
Executive Office of the President	High Intensity Drug Trafficking Area Programs	95.001	G16NW0003A		15,697.28	15,697.28	
Department of Homeland Security (via New Mexico Tech)	State and Local Homeland Security National Training Program	97.005	EMW-2016-CA-00058	7,709.00		7,709.00	5(b)
Department of Homeland Security (via WA State Military Department)	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	D16-615	425,275.97		425,275.97	2, 10
Department of Homeland Security (via Spokane County)	Emergency Management Performance Grants	97.042	EMS-2016-EP-00002-S01	16,165.10		16,165.10	
Department of Homeland Security (via Fire Department Safety Officers Association)	Assistance to Firefighters Grant	97.044	EW-2015-FP-00051	2,104.12		2,104.12	5(c)
Department of Homeland Security (via Spokane Valley Fire Department)	Assistance to Firefighters Grant	97.044	EMW-2015-FR-00409	16,532.10		16,532.10	2, 5(d)
Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2013-FO-07107 EMW-2016-FO-04269		30,403.00 239,323.00		2 2
				Subtotal	269,726.00		269,726.00
Total - CFDA 97.044					18,636.22	269,726.00	288,362.22
Department of Homeland Security (via Idaho Homeland Security)	Homeland Security Grant Program	97.067	DHS-17-GPD-067-00-01 EMW-2016-FO-04269	9,377.88 10,000.00			6

			Subtotal	19,377.88		19,377.88	
Department of Homeland Security (via Spokane county)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	79,030.27			
			EMW-2016-SS-00005-S01	70,000.00			
			Subtotal	149,030.27		149,030.27	
			Total - CFDA 97.067	168,408.15		168,408.15	
Department of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00768		2,577,859.62		
			EMW-2013-FH-00768		10,325.52		
			Subtotal		2,588,185.14	2,588,185.14	
			TOTAL FEDERAL AWARDS EXPENDED	26,957,703.94	13,119,154.20	40,076,858.14	8,232,735.60

The accompanying notes are an integral part of this schedule.

City of Spokane, Washington

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for all governmental funds. The accrual basis of accounting is used for all proprietary, non-expendable trust and pension trust funds.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Revolving Loan – Program Income

The City has a revolving loan program for low income housing renovation. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$2,839,846.67 and is presented in this schedule. The amount of principal received in loan repayments for the year was \$1,946,507.43.

Program	Balance 1/1/2017	Loans Disbursed	Payments Received	Forgiveness & Write-offs	Balance 12/31/2017
CDBG	\$17,231,351.74	\$495,644.60	(\$1,176,415.21)	(\$41,508.88)	\$16,509,072.25
HOME	\$17,328,553.22	\$594,202.07	(\$724,058.71)	(\$96,816.42)	\$17,101,880.16
Lead Safe Spokane	\$792,839.06		(\$18,277.44)	(\$56,720.36)	\$717,841.26
Housing Assistance/ Neighborhood Stabilization	\$3,077,431.21	\$1,750,000.00	(\$27,756.07)	(\$20,696.45)	\$4,778,978.69
Total	\$38,430,175.23	\$2,839,846.67	(\$1,946,507.43)	(\$215,742.11)	\$39,107,772.36

Note 4 – Federal Loans

The City was approved by the EPA and the PWB to receive loans totaling \$13,505,565.79 to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are also reported on the City's Schedule of Liabilities.

Note 5 – Noncash Awards – Tuition, Training, Travel, Subscriptions

(a) The City received tuition and per diem costs for a Spokane Fire Fighter to attend

“Arson-CS-002 (Adv Courtm Testimony)” from ATF National Center for Explosives Training & Research (NCETR). The amount reported on the SEFA is the value of the federally paid portion of the tuition and per diem. Value was provided by AFT National Center for Explosives Training & Research (NCETR).

- (b) The City received airfare, car rental, per diem, and lodging costs to attend “Incident Response to Terrorist Bombings (IRTB), Operations, Train the Trainer” from New Mexico Tech. The amount reported on the SEFA is the value of the federally paid portion of the airfare, car rental, per diem, and lodging costs. Value was provided by New Mexico Tech.
- (c) The City received training, airfare, and lodging costs to attend “FOCUS Safety Officer Training” from Fire Department Safety Officers Association. The amount reported on the SEFA is the value of the federally paid portion of the airfare and lodging costs. \$1,104.20 was a noncash award for lodging, while \$999.92 was reimbursed for airfare. Value of the lodging was provided by Fire Department Safety Officers Association.
- (d) The City received 128 Blue Card subscriptions and 2 Blue Card Train the Trainer Instructor Program memberships from Spokane Valley Fire Department that were purchased with federal Homeland Security Funds. The amount reported on the SEFA is the value of the federally paid portion of the subscriptions on the date it was received by the City and priced by Spokane Valley Fire Department.

Note 6 – Noncash Awards – Equipment

The City received equipment from Idaho Homeland Security that was purchased with federal Homeland Security funds. The \$10,000 reported on the SEFA includes \$9,577.31 of the federally paid portion of the property on the date it was received by the City and priced by Idaho Homeland Security. The remaining \$422.69 was general expenditures.

Note 7 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The amount expended includes amounts claimed as an indirect cost recovery using an indirect cost rate of up to 129.53%, depending on the allowable maximum amount per the grant and the department charging the grant.

Note 8 – CFDA Number Clarification

- (a) The U.S. Department of Justice ATF National Center for Explosives Training & Research (NCETR) does not have a distinct CFDA number. It is presented on the SEFA as 16.Unknown which is the U.S. Department of Justice federal agency’s two digit prefix. No other identifying number is available.
- (b) The U.S. Department of Treasury Equitable Sharing Program does not have a distinct CFDA number. It is presented on the SEFA as 21.WA0320400 which is the U.S. Department of Treasury federal agency’s two digit prefix followed by the NCIC/ORI/Tracking Number.

Note 9 – Potential Federal Loans

The City has applied for a Capitalization Grant for Clean Water State Revolving Funds loan to pay for this program. As these expenditures will possibly be paid for with federal funds, they have been included on this schedule. Should the City’s loan request be refused, these

programs will be removed in future years. Otherwise they will continue to be reported each year that expenditures exist until all loan funds have been expended.

Note 10 – FEMA Grant

\$230,110.76 was incurred in prior periods and reported in 2017 as that is when the Project Worksheet was approved by Department of Homeland Security (FEMA). \$195,165.21 was incurred in 2017.

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2017

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
ASSETS					
Cash and cash equivalents	\$ 1,925,125	\$ 21,313	\$ 64,221	\$ 17,917	\$ 53
Deposits with fiscal agents/trustees	20,569	-	-	-	-
Equity in pooled investments	21,424,454	135,153	2,018,201	113,618	337
Taxes receivable	14,452,151	382,624	3,664	-	-
Accounts receivable	3,589,432	-	35,540	9,076	-
Interest receivable	1,869,078	-	909	-	-
Due from other funds	6,310,465	48,521	35,403	-	-
Interfund loan receivable	2,661,916	-	24,506	-	-
Due from other governments	379,110	-	-	-	-
Advances to other funds	1,555,766	-	144,332	-	-
Inventories	3,000	-	-	-	-
Notes/contract receivable (non-current)	-	-	-	-	-
Total Assets	54,191,066	587,611	2,326,776	140,611	390
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	54,191,066	587,611	2,326,776	140,611	390
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts/vouchers payable	2,106,829	6,624	126,659	4,710	-
Due to other funds	224,707	120,615	11,759	2,279	-
Due to other governments	473,175	-	-	-	-
Revenues collected in advance	-	-	-	2,481	-
Other accrued liabilities	3,306,211	41,340	208,990	-	-
Other current liabilities	755,358	-	98	-	-
Total Liabilities	6,866,280	168,579	347,506	9,470	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,583,104	-	-	-	-
Total Deferred Inflows of Resources	1,583,104	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	8,449,384	168,579	347,506	9,470	-
FUND BALANCE:					
Nonspendable	1,558,766	-	144,332	-	-
Restricted - grants	-	-	-	-	-
Committed	716,397	-	-	131,141	390
Assigned	15,928,933	419,032	1,834,938	-	-
Unassigned	27,537,586	-	-	-	-
Total Fund Balance (Deficit)	45,741,682	419,032	1,979,270	131,141	390
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 54,191,066	\$ 587,611	\$ 2,326,776	\$ 140,611	\$ 390

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2017
(Continued)

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
ASSETS				
Cash and cash equivalents	\$ 11,286	\$ 35,673	\$ 745	\$ 3,074
Deposits with fiscal agents/trustees	-	-	-	-
Equity in pooled investments	72,636	463,472	189,756	19,495
Taxes receivable	-	-	-	-
Accounts receivable	-	16,000	3,500	-
Interest receivable	-	159	124	-
Due from other funds	-	-	-	-
Interfund loan receivable	15	3,433	2,678	-
Due from other governments	-	-	-	-
Advances to other funds	91	20,222	15,771	-
Inventories	-	-	-	-
Notes/contract receivable (non-current)	-	117,346	9,348	-
Total Assets	84,028	656,305	221,922	22,569
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	84,028	656,305	221,922	22,569
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts/vouchers payable	-	-	-	-
Due to other funds	-	42,203	750	-
Due to other governments	-	-	-	-
Revenues collected in advance	-	-	-	-
Other accrued liabilities	-	-	-	-
Other current liabilities	-	-	-	-
Total Liabilities	-	42,203	750	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	-	42,203	750	-
FUND BALANCE:				
Nonspendable	91	20,222	15,771	-
Restricted - grants	-	593,880	205,401	-
Committed	-	-	-	-
Assigned	83,937	-	-	22,569
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	84,028	614,102	221,172	22,569
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 84,028	\$ 656,305	\$ 221,922	\$ 22,569

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2017
(Continued)

	Emergency Medical Services	Eliminations	Total
ASSETS			
Cash and cash equivalents	\$ 69,068	\$ -	\$ 2,148,475
Deposits with fiscal agents/trustees	10,226	-	30,795
Equity in pooled investments	1,599,280	-	26,036,402
Taxes receivable	195,435	-	15,033,874
Accounts receivable	168,757	-	3,822,305
Interest receivable	1,075	-	1,871,345
Due from other funds	186,746	50,303	6,631,438
Interfund loan receivable	17,558	-	2,710,106
Due from other governments	1,677,893	-	2,057,003
Advances to other funds	103,412	-	1,839,594
Inventories	-	-	3,000
Notes/contract receivable (non-current)	-	-	126,694
Total Assets	4,029,450	50,303	62,311,031
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	4,029,450	50,303	62,311,031
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/vouchers payable	220,232	-	2,465,054
Due to other funds	10,400	50,303	463,016
Due to other governments	-	-	473,175
Revenues collected in advance	-	-	2,481
Other accrued liabilities	1,855,187	-	5,411,728
Other current liabilities	10,929	-	766,385
Total Liabilities	2,096,748	50,303	9,581,839
DEFERRED INFLOWS OF RESOURCES			
Property taxes	122,930	-	1,706,034
Total Deferred Inflows of Resources	122,930	-	1,706,034
Total Liabilities Plus Deferred Inflows of Resources	2,219,678	50,303	11,287,873
FUND BALANCE:			
Nonspendable	103,412	-	1,842,594
Restricted - grants	-	-	799,281
Committed	1,706,360	-	2,554,288
Assigned	-	-	18,289,409
Unassigned	-	-	27,537,586
Total Fund Balance (Deficit)	1,809,772	-	51,023,158
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,029,450	\$ 50,303	\$ 62,311,031

City of Spokane, Washington
Schedule of General Fund Accounts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2017
(Continued)

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
REVENUES					
Taxes	\$ 150,524,377	\$ 22,957	\$ 1,166,982	\$ -	\$ -
Licenses and permits	6,931,557	-	-	-	-
Intergovernmental	3,340,318	-	9,024	-	-
Charges for services	17,162,316	1,202,795	18,867	-	-
Fines and forfeitures	3,013,856	-	122,690	-	-
Miscellaneous	7,607,732	221,422	121,704	193,768	-
Net inc(dec) in market value of investments	1,987,713	-	-	-	-
Total Revenues	190,567,869	1,447,174	1,439,267	193,768	-
EXPENDITURES					
Current:					
General government	31,433,935	-	-	-	-
Public safety	58,946,881	1,835,383	-	-	-
Transportation	6,238,343	-	-	107,985	-
Economic environment	4,575,559	-	-	-	-
Social services	2,167,341	-	-	-	-
Culture and recreation	737,338	-	8,037,036	-	-
Capital outlays	134,592	-	1,245,198	48,625	-
Debt service:					
Interest	(3,488)	-	-	-	-
Total Expenditures	104,230,501	1,835,383	9,282,234	156,610	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,337,368	(388,209)	(7,842,967)	37,158	-
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	16,667	60,000	326	-	-
Transfers in	890,265	561,709	8,383,482	-	-
Transfers out	(77,617,404)	-	(56,996)	-	-
Total Other Financing Sources (Uses)	(76,710,472)	621,709	8,326,812	-	-
Net Change in Fund Balance	9,626,896	233,500	483,845	37,158	-
Fund Balance - beginning (Note 1)	36,062,154	238,417	1,495,425	93,983	390
Prior Period Adjustment	52,632	(52,885)	-	-	-
Fund Balance - ending	\$ 45,741,682	\$ 419,032	\$ 1,979,270	\$ 131,141	\$ 390

City of Spokane, Washington
Schedule of General Fund Accounts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2017
(Continued)

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	3	463	361	-
Net inc(dec) in market value of investments	-	-	-	-
Total Revenues	3	463	361	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	6,528	957	-
Social services	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlays	-	-	-	-
Debt service:				
Interest	-	-	-	-
Total Expenditures	-	6,528	957	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3	(6,065)	(596)	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	204,631	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	204,631	-	-
Net Change in Fund Balance	3	198,566	(596)	-
Fund Balance - beginning (Note 1)	84,025	415,536	221,768	22,569
Prior Period Adjustment	-	-	-	-
Fund Balance - ending	\$ 84,028	\$ 614,102	\$ 221,172	\$ 22,569

City of Spokane, Washington
Schedule of General Fund Accounts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2017
(Continued)

	Emergency Medical Services	Eliminations	Total
REVENUES			
Taxes	\$ 8,305,040	\$ -	\$ 160,019,356
Licenses and permits	383,696	-	7,315,253
Intergovernmental	3,025,854	-	6,375,196
Charges for services	1,201,661	-	19,585,639
Fines and forfeitures	201,780	-	3,338,326
Miscellaneous	20,375	-	8,165,828
Net inc(dec) in market value of investments	-	-	1,987,713
Total Revenues	13,138,406	-	206,787,311
EXPENDITURES			
Current:			
General government	-	-	31,433,935
Public safety	51,966,224	-	112,748,488
Transportation	-	-	6,346,328
Economic environment	-	-	4,583,044
Social services	-	-	2,167,341
Culture and recreation	-	-	8,774,374
Capital outlays	102,756	-	1,531,171
Debt service:			
Interest	-	-	(3,488)
Total Expenditures	52,068,980	-	167,581,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,930,574)	-	39,206,118
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	12,766	-	294,390
Transfers in	38,500,000	(47,445,191)	890,265
Transfers out	(48,150)	47,445,191	(30,277,359)
Total Other Financing Sources (Uses)	38,464,616	-	(29,092,704)
Net Change in Fund Balance	(465,958)	-	10,113,414
Fund Balance - beginning (Note 1)	2,275,730	-	40,909,997
Prior Period Adjustment	-	-	(253)
Fund Balance - ending	\$ 1,809,772	\$ -	\$ 51,023,158

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 145,920,000	\$ 145,920,000	\$ 150,524,377	\$ 4,604,377
Licenses and permits	6,449,000	6,449,000	6,931,557	482,557
Intergovernmental	5,889,820	5,982,407	3,340,318	(2,642,089)
Charges for services	13,369,887	13,484,354	17,162,316	3,677,962
Fines and forfeitures	2,563,150	2,563,150	3,013,856	450,706
Miscellaneous	6,556,400	6,556,400	7,607,732	1,051,332
Net inc(dec) in market value of investments	-	-	1,987,713	1,987,713
Total revenues	180,748,257	180,955,311	190,567,869	9,612,558
EXPENDITURES				
General government	31,647,662	32,296,571	31,433,935	862,636
Public safety	57,791,927	57,802,858	58,946,881	(1,144,023)
Transportation	6,174,708	6,291,411	6,238,343	53,068
Economic environment	5,070,958	6,030,131	4,575,559	1,454,572
Social services	1,784,610	2,440,121	2,167,341	272,780
Culture and recreation	325,246	95,500	737,338	(641,838)
Capital outlays	109,788	125,133	134,592	(9,459)
Debt service:				
Interest and other related costs	-	-	(3,488)	3,488
Total expenditures	102,904,899	105,081,725	104,230,501	851,224
Excess (deficiency) of revenues over (under) expenditures	77,843,358	75,873,586	86,337,368	10,463,782
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	16,667	16,667
Transfers in	890,265	890,265	890,265	-
Transfers out	(78,733,206)	(78,167,959)	(77,617,404)	550,555
Total other financing sources (uses)	(77,842,941)	(77,277,694)	(76,710,472)	567,222
Net change in fund balance	417	(1,404,108)	9,626,896	11,031,004
Fund Balance - beginning	37,321,456	37,321,456	36,062,154	(1,259,302)
Prior Period Adjustment	-	-	52,632	52,632
Fund Balance - ending	\$ 37,321,873	\$ 35,917,348	\$ 45,741,682	\$ 9,824,334

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Code Enforcement
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	22,957	\$ 22,957
Charges for services	1,112,567	1,112,567	1,202,795	90,228
Fines and forfeitures	3,000	3,000	-	(3,000)
Miscellaneous	245,000	245,000	221,422	(23,578)
Total revenues	1,360,567	1,360,567	1,447,174	86,607
EXPENDITURES				
Public safety	2,008,854	2,071,132	1,835,383	235,749
Capital outlays	-	650	-	650
Total expenditures	2,008,854	2,071,782	1,835,383	236,399
Excess (deficiency) of revenues over (under) expenditures	(648,287)	(711,215)	(388,209)	323,006
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	60,000	60,000
Transfers in	748,916	748,916	561,709	(187,207)
Total other financing sources (uses)	748,916	748,916	621,709	(127,207)
Net change in fund balance	100,629	37,701	233,500	195,799
Fund Balance - beginning	166,947	166,947	238,417	71,470
Prior Period Adjustment	-	-	(52,885)	(52,885)
Fund Balance - ending	\$ 267,576	\$ 204,648	\$ 419,032	\$ 214,384

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 1,170,000	\$ 1,170,000	\$ 1,166,982	\$ (3,018)
Intergovernmental	100,000	100,000	9,024	(90,976)
Charges for services	22,000	22,000	18,867	(3,133)
Fines and forfeitures	165,000	165,000	122,690	(42,310)
Miscellaneous	92,035	92,035	121,704	29,669
Total revenues	1,549,035	1,549,035	1,439,267	(109,768)
EXPENDITURES				
Culture and recreation	8,478,356	8,546,556	8,037,036	509,520
Capital outlays	1,163,755	1,265,155	1,245,198	19,957
Total expenditures	9,642,111	9,811,711	9,282,234	529,477
Excess (deficiency) of revenues over (under) expenditures	(8,093,076)	(8,262,676)	(7,842,967)	419,709
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	326	326
Transfers in	8,383,482	8,383,482	8,383,482	-
Transfers out	(56,996)	(56,996)	(56,996)	-
Total other financing sources (uses)	8,326,486	8,326,486	8,326,812	326
Net change in fund balance	233,410	63,810	483,845	420,035
Fund Balance - beginning	779,249	779,249	1,495,425	716,176
Fund Balance - ending	\$ 1,012,659	\$ 843,059	\$ 1,979,270	\$ 1,136,211

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Under Freeway Parking
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 143,725	\$ 143,725	\$ 193,768	\$ 50,043
Total revenues	143,725	143,725	193,768	50,043
EXPENDITURES				
Transportation	128,102	110,988	107,985	3,003
Capital outlays	-	33,703	48,625	(14,922)
Total expenditures	128,102	144,691	156,610	(11,919)
Excess (deficiency) of revenues over (under) expenditures	15,623	(966)	37,158	38,124
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources (uses)	(10,000)	(10,000)	-	10,000
Net change in fund balance	5,623	(10,966)	37,158	48,124
Fund Balance - beginning	15,071	15,071	93,983	78,912
Fund Balance - ending	\$ 20,694	\$ 4,105	\$ 131,141	\$ 127,036

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Improvement Program
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3	\$ 3
Total revenues	-	-	3	3
Net change in fund balance	-	-	3	3
Fund Balance - beginning	84,054	84,054	84,025	(29)
Fund Balance - ending	<u>\$ 84,054</u>	<u>\$ 84,054</u>	<u>\$ 84,028</u>	<u>\$ (26)</u>

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Hope Acquisition
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 27,500	\$ 27,500	\$ 463	\$ (27,037)
Total revenues	27,500	27,500	463	(27,037)
EXPENDITURES				
Economic environment	45,900	45,900	6,528	39,372
Capital outlays	241,600	241,600	-	241,600
Total expenditures	287,500	287,500	6,528	280,972
Excess (deficiency) of revenues over (under) expenditures	(260,000)	(260,000)	(6,065)	253,935
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	204,631	204,631
Total other financing sources (uses)	-	-	204,631	204,631
Net change in fund balance	(260,000)	(260,000)	198,566	458,566
Fund Balance - beginning	418,066	418,066	415,536	(2,530)
Fund Balance - ending	\$ 158,066	\$ 158,066	\$ 614,102	\$ 456,036

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Housing Trust Grant
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 4,500	\$ 4,500	\$ 361	\$ (4,139)
Total revenues	4,500	4,500	361	(4,139)
EXPENDITURES				
Economic environment	1,400	1,400	957	443
Capital outlays	224,100	224,100	-	224,100
Total expenditures	225,500	225,500	957	224,543
Net change in fund balance	(221,000)	(221,000)	(596)	220,404
Fund Balance - beginning	221,308	221,308	221,768	460
Fund Balance - ending	\$ 308	\$ 308	\$ 221,172	\$ 220,864

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Emergency Medical Services
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 8,265,000	\$ 8,265,000	\$ 8,305,040	\$ 40,040
Licenses and permits	350,000	350,000	383,696	33,696
Intergovernmental	8,821,816	9,278,053	3,025,854	(6,252,199)
Charges for services	884,000	1,374,000	1,201,661	(172,339)
Fines and forfeitures	132,000	132,000	201,780	69,780
Miscellaneous	69,880	69,880	20,375	(49,505)
Total revenues	18,522,696	19,468,933	13,138,406	(6,330,527)
EXPENDITURES				
Public safety	51,502,636	52,535,008	51,966,224	568,784
Capital outlays	126,517	134,412	102,756	31,656
Total expenditures	51,629,153	52,669,420	52,068,980	600,440
Excess (deficiency) of revenues over (under) expenditures	(33,106,457)	(33,200,487)	(38,930,574)	(5,730,087)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	12,766	12,766
Transfers in	38,500,000	38,500,000	38,500,000	-
Transfers out	(48,150)	(48,150)	(48,150)	-
Total other financing sources (uses)	38,451,850	38,451,850	38,464,616	12,766
Net change in fund balance	5,345,393	5,251,363	(465,958)	(5,717,321)
Fund Balance - beginning	2,044,662	2,044,662	2,275,730	231,068
Fund Balance - ending	\$ 7,390,055	\$ 7,296,025	\$ 1,809,772	\$ (5,486,253)



Finance Division

808 W. Spokane Falls Blvd.

Spokane, Washington 99201-3313

(509) 625-6034

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Spokane

January 1, 2017 through December 31, 2017

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

Finding ref number: 2017-001	Finding caption: The City did not have adequate internal controls in place to ensure compliance with federal suspension and debarment requirements.
Name, address, and telephone of City contact person: Sally Stopher, Director of Grants, Contracts and Purchasing 808 W. Spokane Falls Blvd. Spokane, WA 99201 (509) 625-6032	
Corrective action the auditee plans to take in response to the finding: <i>The City has implemented a requirement for all contracts to include Suspension and Debarment certification. This requirement completes the corrective action.</i>	
Anticipated date to complete the corrective action: Completed	

Finding ref number: 2017-002	Finding caption: The City did not have adequate internal controls in place to ensure compliance with federal suspension and debarment requirements.
Name, address, and telephone of City contact person: Sally Stopher, Director of Grants, Contracts, and Purchasing 808 W. Spokane Falls Blvd. Spokane, WA 99201 (509) 625-6032	
Corrective action the auditee plans to take in response to the finding: <i>The City has implemented a requirement for all contracts to include Suspension and Debarment certification. This requirement completes the corrective action.</i>	
Anticipated date to complete the corrective action: Completed	

ABOUT THE STATE AUDITOR'S OFFICE

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

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Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov