



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Spokane

For the period January 1, 2018 through December 31, 2018

Published September 23, 2019

Report No. 1024654





**Office of the Washington State Auditor
Pat McCarthy**

September 23, 2019

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,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Spokane January 1, 2018 through December 31, 2018

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 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 no 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 no 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>
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
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,448,084.

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

None reported.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Spokane

January 1, 2018 through December 31, 2018

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

Audit Period: January 1, 2017 through December 31, 2017	Report Ref. No.: 1022245	Finding Ref. No.: 2017-001	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: Highway Planning and Construction, U.S. Department of Transportation		Pass-Through Agency Name: Washington State Department of Transportation	
Finding Caption: The City did not have adequate internal controls in place to ensure compliance with federal suspension and debarment requirements.			
Background: During 2017, the City spent \$7,327,319 in federal grant funds in more than 21 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 must inform primary contractors of this responsibility. The City awarded six contracts of \$25,000 or more during fiscal year 2017 and one did not include a written certification, an inserted clause or EPLS review to verify that the contractor was 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.			

We consider this deficiency in internal controls to be a material weakness. The City subsequently verified that the contractor was not suspended or debarred. Therefore, no costs were questioned.

Status of Corrective Action: (check one)

Fully Corrected
 Partially Corrected
 Not Corrected
 Finding is considered no longer valid

Corrective Action Taken:

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 and feel that this item is fully corrected.

Audit Period: January 1, 2017 - December 31, 2017	Report Reference No.: 1022245	Finding Ref. No.: 2017-002	CFDA Number(s): 66.458
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Federal Program Name and Granting Agency: Capitalization Grants for Clean Water State Revolving Funds, Environmental Protection Agency	Pass-Through Agency Name: Washington State Department of Ecology
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Finding Caption:

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

Background:

During 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 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 must inform primary contractors of this responsibility. The City awarded 15 contracts of \$25,000 or more during fiscal year 2017 and ten did not include a written certification, an inserted 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.

We consider this deficiency in internal controls to be a material weakness. The City subsequently verified the contractors were not suspended or debarred. Therefore, no costs were questioned.

Status of Corrective Action: (check one)

- Fully Corrected Partially Corrected Not Corrected Finding is considered no longer valid

Corrective Action Taken:

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 and feel that this item is fully corrected.

**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, 2018 through December 31, 2018**

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, 2018, 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 16, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Spokane Employees' Retirement System (SERS), a pension 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.

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 and the other auditors 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 16, 2019.

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 and the report of the other auditors 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, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

September 16, 2019

**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, 2018 through December 31, 2018**

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, 2018. 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, 2018.

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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 16, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Spokane January 1, 2018 through December 31, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 19.

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 47 percent, 59 percent and zero 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.

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, 2018, 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.

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 19 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 Balance 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 16, 2019 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 16, 2019

FINANCIAL SECTION

City of Spokane January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds – 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to the Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Accounts – 2018

Schedule of Changes in Net Pension Liability and Related Ratios – SERS, Firefighters' Pension and Police Pension – 2018

Schedule of City's Proportionate Share of the Net Pension Liability (Asset) – LEOFF 1 and LEOFF 2 – 2018

Schedule of Employer Contributions – SERS, Firefighters’ Pension, Police Pension, LEOFF 1 and LEOFF 2 – 2018

Schedule of Investment Returns – Spokane Employee Retirement System (SERS), Fire and Police – 2018

Schedule of Changes in the City’s Firefighters’ Retirement Net OPEB Liability and Related Ratios – 2018

Schedule of Changes in the City’s Police Retirement Net OPEB Liability and Related Ratios – 2018

Schedule of Changes in the City’s Retiree Medical Plan 2 Total OPEB Liability and Related Ratios not held in trust – 2018

Other Postemployment Benefit – Schedule of Employer Contributions – Firefighters’ Pension and Police Pension – 2018

Schedule of Investment Returns for OPEB held in Trust – Fire OPEB and Police OPEB – 2018

Notes to the Required Supplementary Information – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

Schedule for General Fund Accounts – Balance Sheet – 2018

Schedule of General Fund Accounts – Statement of Revenues, Expenditures, and Changes in Fund Balances – 2018

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – each fund included in the General Fund Accounts – 2018

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, 2018. 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 \$2.1 billion (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$2.1 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 \$72.5 million is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$11.8) million became a negative amount in 2017 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 \$261.5 million this year, an increase of \$76.4 million from the prior year with the majority of the increase related to UTGO bond proceeds in December that are restricted for Library Capital improvements. Revenues increased by \$7.2 million overall. Tax revenue increased by \$9.7 million. Investment earnings decreased by \$5.7 million due to a large unrealized loss 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 increase by \$86 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 2018, this amount reflected the activities of the \$73 million Library Bond.

Taxes	\$ 9.7 million
Licenses & Permits	\$(0.3) million
Intergovernmental	\$ 1.8 million
Charges for Service	\$ 3.7 million
Fines & Forfeitures	\$(0.8) million
Miscellaneous	\$(1.3) million
Investment earnings	\$(5.7) million
Other Financing Sources	\$86.0 million

- At the end of the current fiscal year, the fund balance for the General Fund totaled \$52.5 million, excluding the nonspendable and restricted categories, which is 30.1% of General Fund expenditures excluding transfers.
- Overall, the City maintained its strong financial position in 2018, 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. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

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 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 \$2,138.6 million as shown below.

Summary of Net Position (in thousands)	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	376,962	284,188	236,845	327,838	613,807	612,026
Capital assets	1,576,762	1,563,379	873,343	759,233	2,450,105	2,322,612
Total assets	1,953,724	1,847,567	1,110,188	1,087,071	3,063,912	2,934,638
DEFERRED OUTFLOWS						
	23,878	30,250	12,782	18,048	36,660	48,298
Total assets	1,977,602	1,877,817	1,122,970	1,105,119	3,100,572	2,982,936
LIABILITIES						
Current liabilities	24,312	24,985	10,562	13,706	34,874	38,691
Long term liabilities	485,365	482,059	325,330	367,361	810,695	849,420
Total liabilities	509,677	507,044	335,892	381,067	845,569	888,111
DEFERRED INFLOWS						
	77,385	22,299	39,026	5,135	116,411	27,434
Total liabilities	587,062	529,343	374,918	386,202	961,980	915,545
NET POSITION						
Net investment in capital assets	1,426,083	1,417,656	651,835	608,260	2,077,918	2,025,916
Restricted	72,522	71,617	-	-	72,522	71,617
Unrestricted	(108,065)	(140,799)	96,217	110,657	(11,848)	(30,142)
Total net position	1,390,540	1,348,474	748,052	718,917	2,138,592	2,067,391

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 15.5 and 22.4 for business type activities. For the City overall, the current ratio is 17.6. We consider these ratios to be very strong.

Governmental Activities

Net position increased by \$42.1 million for governmental activities and is primarily attributable to issuing a \$73 million dollar Library Bond to finance Library Capital and renovations.

Business-Type Activities

The \$28.6 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 102.6% 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 87.1% 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 97.2% 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)	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	36,245	38,291	242,539	221,997	278,784	260,288
Operating grants and contributions	16,837	16,048	-	102	16,837	16,150
Capital grants and contributions	17,917	18,008	6,132	1,322	24,049	19,330
General revenues						
Taxes	222,797	211,065			222,797	211,065
Disposition of fixed assets	-	-			-	-
Interest and investment Earnings	6,094	11,911	609	496	6,703	12,406
Total revenues	299,890	295,323	249,280	223,917	549,170	519,240
EXPENSES						
General government	(32,894)	(34,805)	-	-	(32,894)	(34,805)
Judicial	(4,468)	(4,796)	-	-	(4,468)	(4,796)
Public safety	(109,281)	(109,266)	-	-	(109,281)	(109,266)
Transportation	(62,755)	(54,677)	-	-	(62,755)	(54,677)
Economic environment	(15,035)	(13,685)	-	-	(15,035)	(13,685)
Social services	(10,681)	(10,503)	-	-	(10,681)	(10,503)
Culture and recreation	(24,241)	(30,998)	-	-	(24,241)	(30,998)
Interest on long term debt	(8,124)	(7,189)	-	-	(8,124)	(7,189)
Water/Sewer	-	-	(124,202)	(120,807)	(124,202)	(120,807)
Solid Waste	-	-	(79,340)	(78,803)	(79,340)	(78,803)
Other business activities	-	-	(9,678)	(10,098)	(9,678)	(10,098)
Total expenses	(267,480)	(265,919)	(213,220)	(209,708)	(480,699)	(475,625)

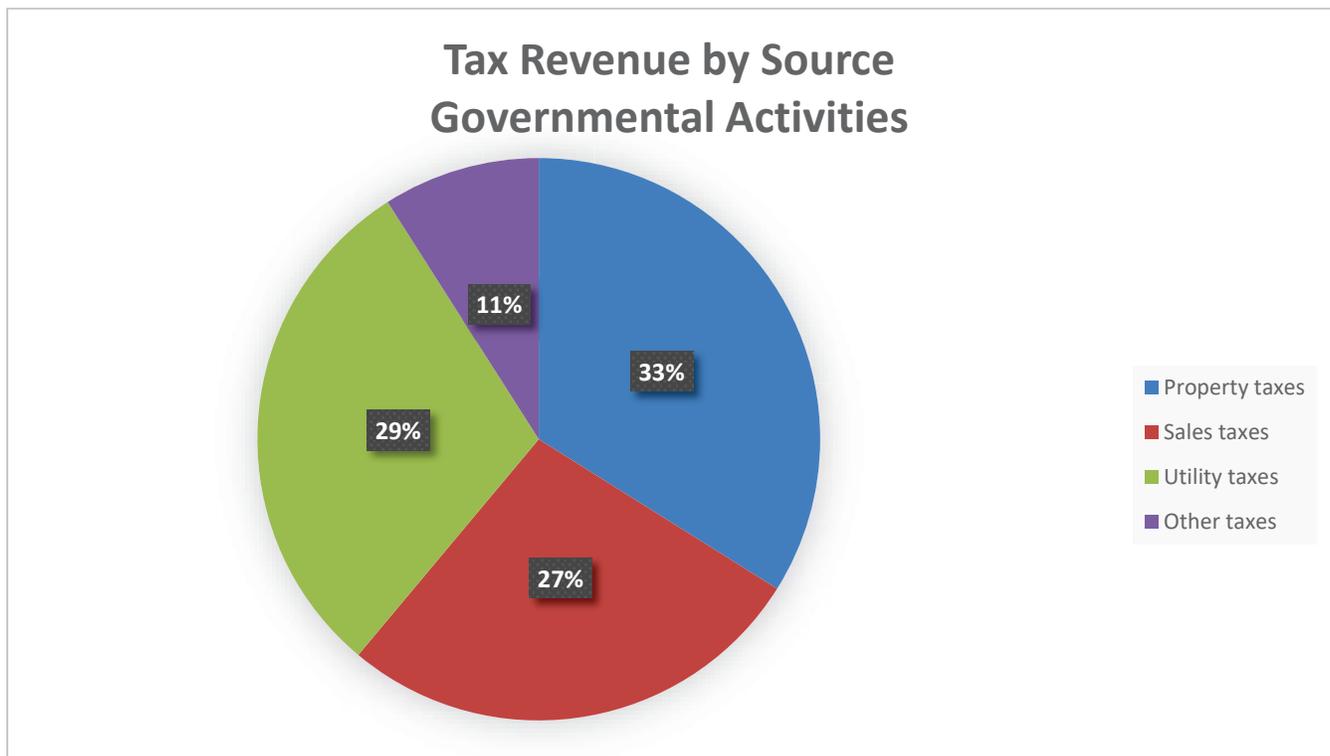
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Excess (deficiency) of revenues over expenses before contributions & transfers	32,410	29,404	36,059	14,209	68,471	43,613
Transfers	6,948	5,070	(6,948)	(5,070)	-	(0)
Increase (decrease) in net position	39,358	34,474	29,111	9,139	68,471	43,613
Prior period adjustment	2,708	3,716	23	(356)	2,731	3,360
Change in accounting principle (GASB 75)	-	(93,571)	-	(2,343)	-	(95,914)
Net Position-January 1	1,348,474	1,403,855	718,917	712,477	2,067,391	2,116,332
Net Position-December 31	1,390,540	1,348,474	748,052	718,917	2,138,592	2,067,391

GOVERNMENTAL REVENUES

The City is heavily reliant on three types of taxes to support governmental operations—more than 74% of the governmental activities revenue is derived from taxes. Charges for services represented 12% of these revenues, grants and contributions represented 12% and interest earnings made up the remaining 2%.

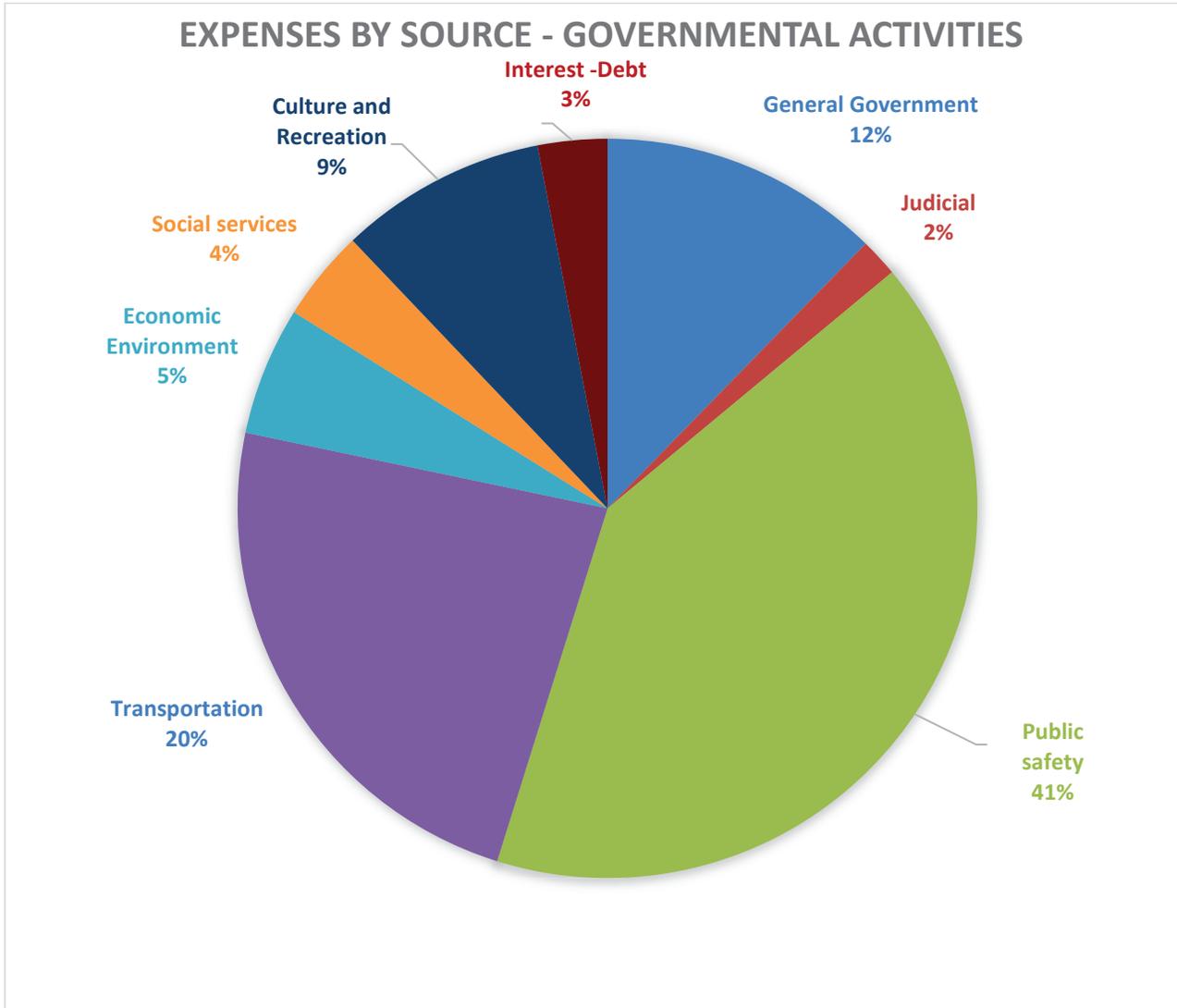
A breakdown of tax revenue is shown below.



For governmental activities, program revenues cover approximately 26.5% of governmental operating expenses. This means that the government’s taxpayers and the City’s other general revenues cover 73.5% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City’s revenue streams.

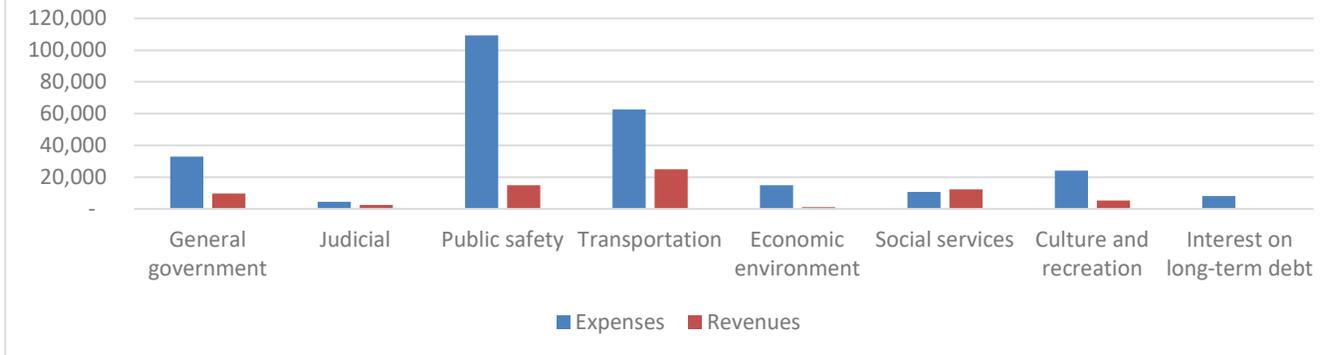
GOVERNMENTAL FUNCTIONAL EXPENSES

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 only covered the program expenses in the Social Services function in 2018. Program revenues have not covered program expenses in any year prior to 2018, as these expenditures by the city benefit all city residents and businesses.

BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

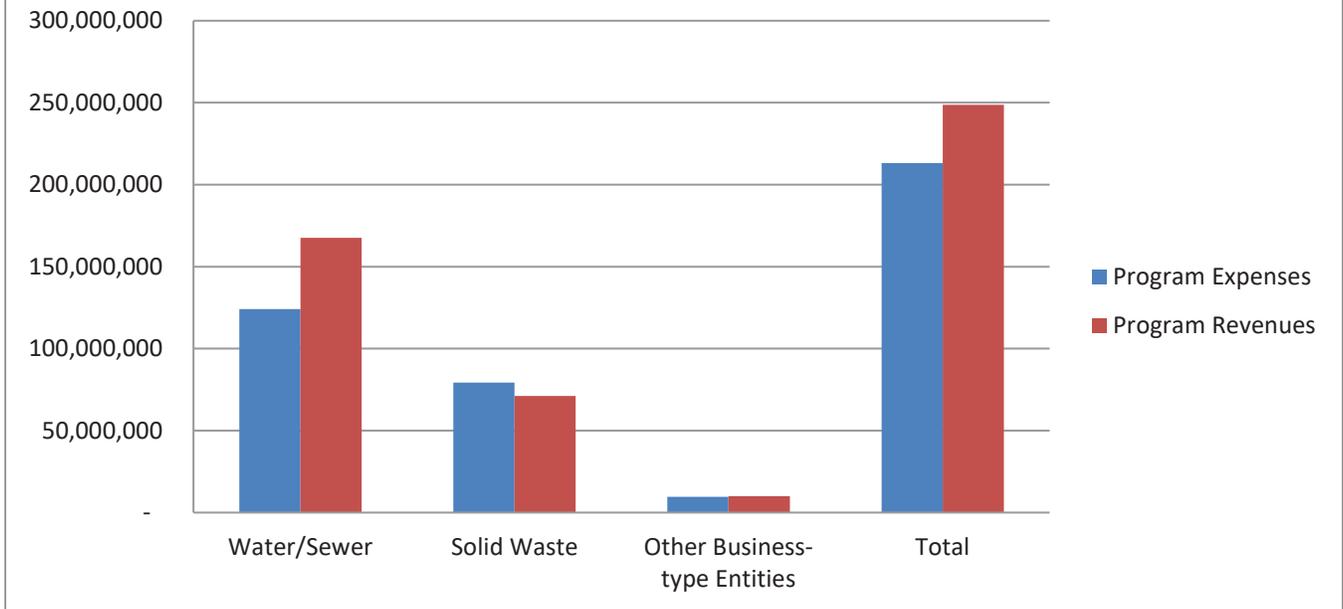
For all enterprise funds, the City reports a current ratio of 6.8, which is a healthy ratio. The business-type activities report capitalized assets of \$873.3 million, which provide a variety of services to the citizens of Spokane as well as some populations outside the City limits.

The business-type activities report \$96.2 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 business-type activities increased by \$25.2 million or an increase of 11.3% over the prior year while operating expenses increased by \$3.5 million or 1.7% over 2017. As a result, net operating income was \$35.4 million compared to \$14.2 million 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

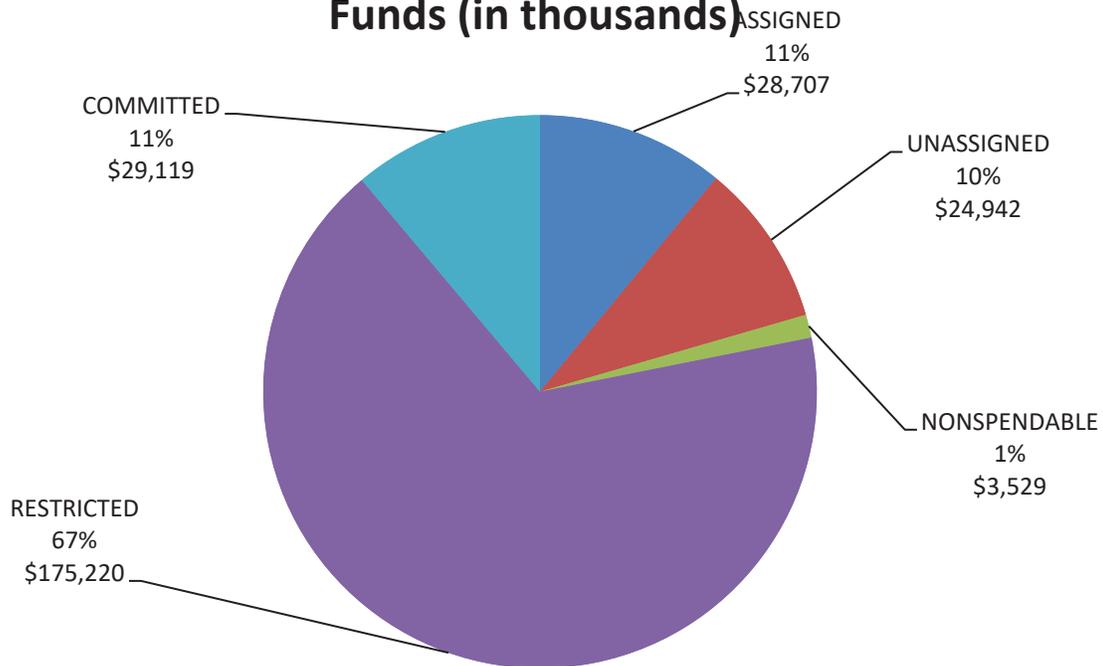


Financial Analysis of the City's Funds

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 \$261.5 million. Of this total, \$28.7 million is assigned and \$24.9 million is unassigned. This unassigned amount represents approximately 10% 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 \$3.5 million "not in spendable form" for items that are not expected to be converted to near-term cash such as internal loans; \$175.2 million restricted by external parties, including grantors and creditors, and \$29.1 million committed by the City's elected officials for specific purposes.

Breakdown of 2018 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 \$ 4.5 million in 2018.

Committed, assigned and unassigned fund balance in the General Fund was \$52.5 million, which as a percentage of expenditures was 36% of annual operations, compared with 28.4% at the end of 2017. 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 2018 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 **2018 UTGO Library Capital Bond Fund** is used to account for the proceeds of UTGO 2018. In December 2018, the City issued \$73.6 million in unlimited tax general obligation bonds (UTGO Series 2018). The Bonds, which were approved by the voters on November 6, 2018, are being used to finance improvements to and expansion of the Spokane Public Library facilities.

The **Arterial Streets Fund** accounts for the development of the arterial street system within the City. The fund balance of the Arterial Streets Fund increased \$9.9 million to total \$17.2 million at 12/31/2018, all of which is considered restricted for arterial street development. The fund balance represents 50.0% of total expenditures.

Fund balance increased primarily due to transfer of funds from the Reet Fund and closing the 3404 Street Bond to fund Streets Capital Projects.

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 \$679 million, with a \$587.2 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 6.9, which provides this fund with adequate resources to cover cash flow issues.

The water/sewer fund reported operating income of \$21.8 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 2018 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 \$52.4 million. The net investment in capital assets (i.e., the book value of the capital assets less related debt) is \$58.9 million with the remainder being unrestricted net position. The current ratio for this fund is 6.8, which provides this fund with adequate resources to cover cash flow requirements.

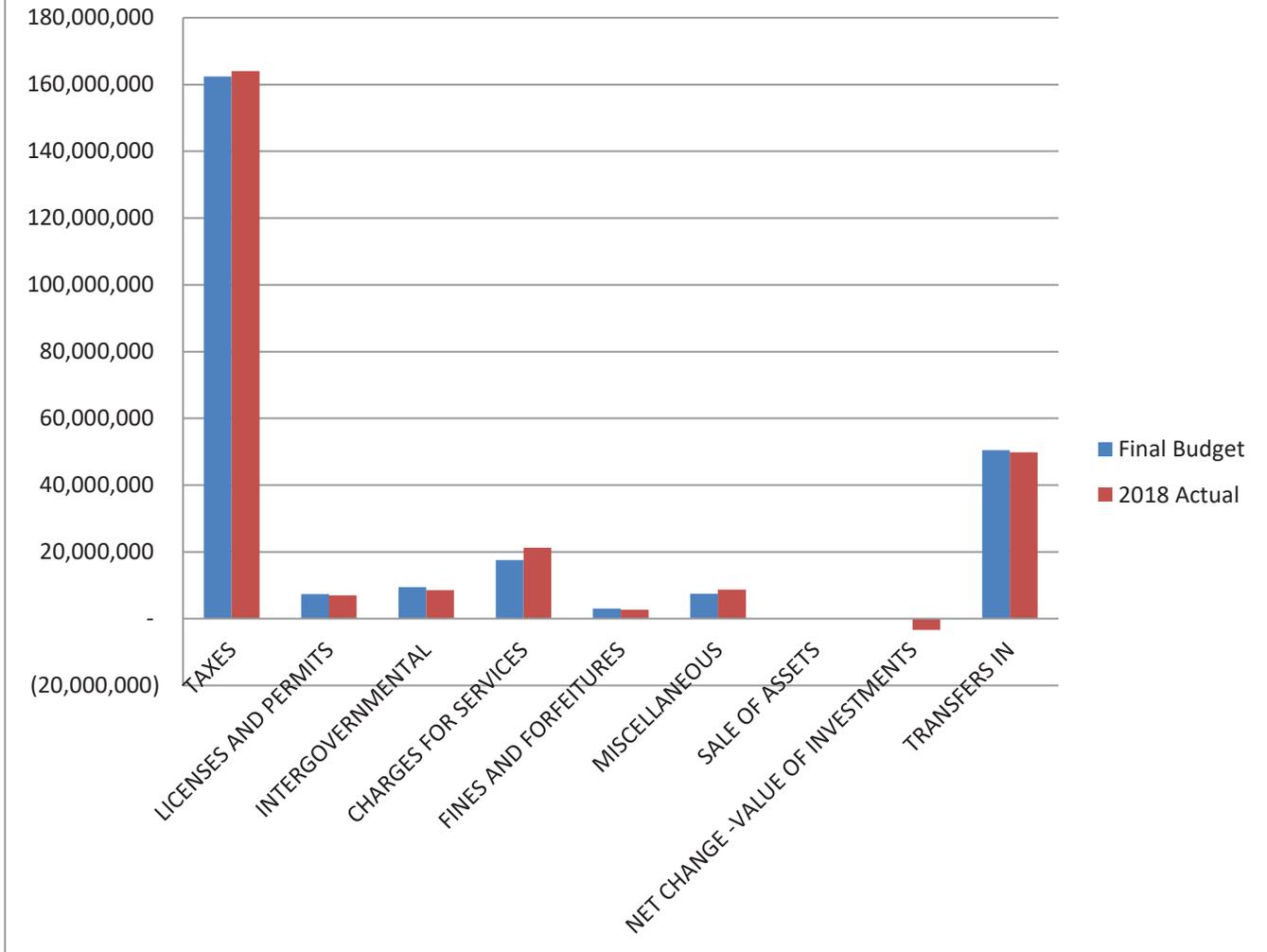
The solid waste fund reported an operating loss of \$10.8 million. Depreciation expense was \$10.8 million for the Solid Waste Fund, which accounted for 100% of it's operating loss. It is a fact that the rate revenue increases have not been sufficient to cover all of the current operating expenses of the Department, including depreciation.

Budgetary Highlights

The ***General Fund*** – In 2018, the original General Fund Revenue budget (excluding transfers and other financing sources) was \$.8 million decrease from the 2017 actual results. In addition, the 2018 original expenditure budget (excluding transfers and other financing uses) was \$6.6 million more than the 2017 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 losses 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 2018; the amendments resulted in a 1.2% change between the original and final budget for revenues, and a 3.5% change for expenditures.

General Fund 2018 Revenues Final Budget vs Actual

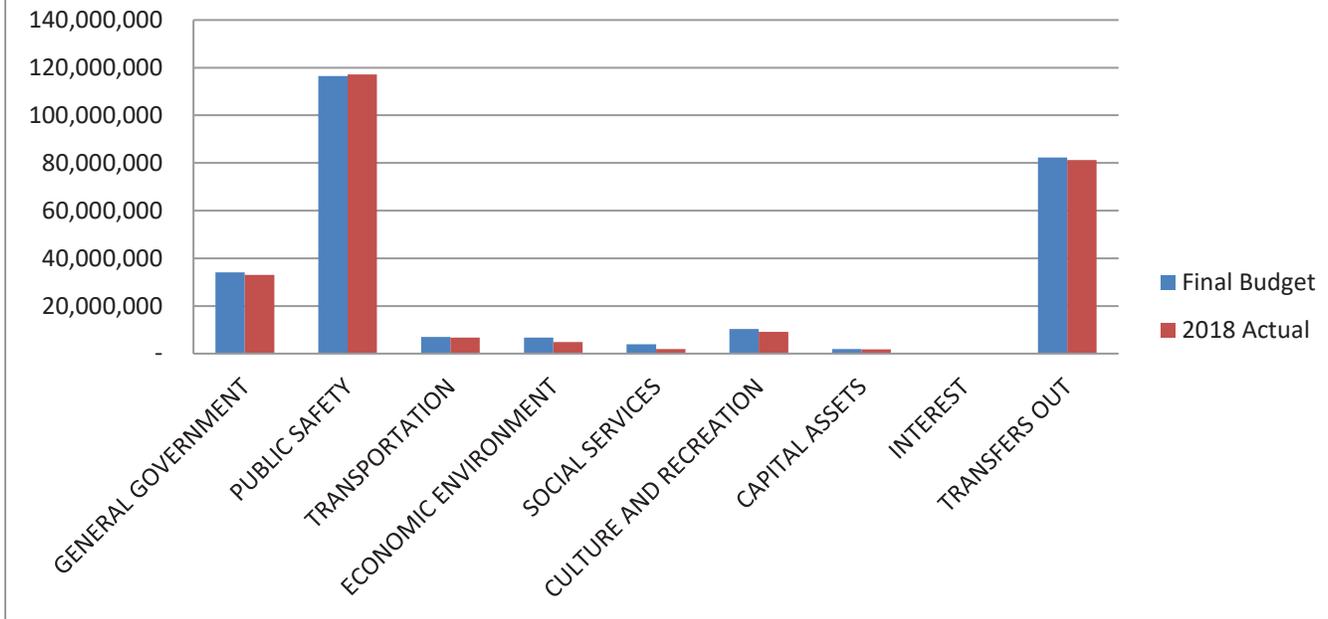


The actual revenues were approximately \$2.9 million more than the actual expenditures (including transfers out), or 1.4% excess of revenues over expenditures.

Excluding the effects of transfers in/out, the City had positive expenditure variances of \$5.8 million between the final budget and the actual amounts in all categories except Public Safety, which realized a \$0.6 million unfavorable variances. The unfavorable variance in Public Safety was due to salaries and overtime in the Police Department. 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 2018 Expenditures Final Budget vs Actual



Capital Assets and Debt Administration

Capital assets

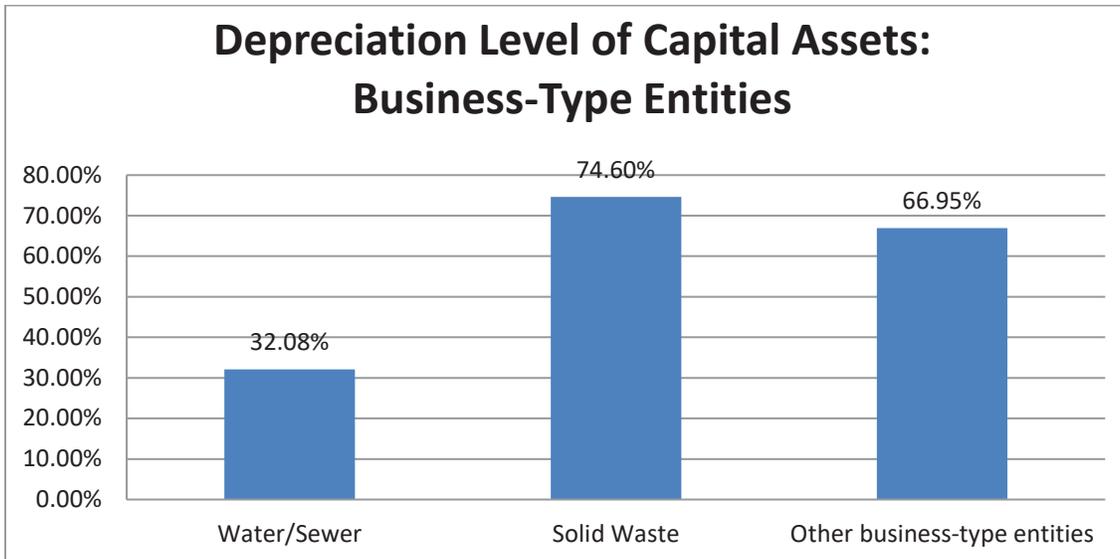
The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2018, was \$1,426.1 million and \$651.8 million respectively. See Note 4 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

The following table provides a summary of capital assets.

Summary of Capital Assets (in thousands)	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
NON-DEPRECIABLE ASSETS						
Land	\$ 839,616	\$ 839,422	\$ 14,849	\$ 14,552	\$ 854,464	\$ 853,974
Construction in progress	40,880	36,582	169,495	124,599	210,376	161,181
Total non-depreciable assets	880,496	876,004	184,344	139,151	1,064,840	1,015,155
DEPRECIABLE ASSETS						
Buildings	96,494	92,981	323,902	321,987	420,397	414,968
Other improvements	97,895	96,390	108,740	106,991	206,635	203,380
Machinery and equipment	105,656	101,423	159,199	155,016	264,855	256,439
Infrastructure	1,118,424	1,087,874	663,802	570,902	1,782,226	1,658,777
Intangible assets	5,450	5,450	114	114	5,564	5,564
Total depreciable assets	1,423,919	1,384,118	1,255,757	1,155,009	2,679,676	2,539,127
Total cost of capital assets	2,304,414	2,260,122	1,440,101	1,294,160	3,744,516	3,554,282
ACCUMULATED DEPRECIATION	(727,652)	(696,743)	(566,759)	(534,927)	(1,294,411)	(1,231,670)
Total book value of capital assets	\$ 1,576,762	\$ 1,563,379	\$ 873,342	\$ 759,233	\$ 2,450,105	\$ 2,322,612
Percentage depreciated	51%	50%	45%	46%	48%	49%

At December 31, 2018 and December 31, 2017, the depreciable capital assets for governmental activities were 51% - 50% depreciated.

With the City's business-type activities, 45% of the asset values were depreciated at December 31, 2018 and 46% at December 31, 2017. 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 \$502 million. Of this amount, \$259.6 million or 51.7% 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 \$241.8 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 \$18.1million or 4.2% of the beginning outstanding borrowed debt balance.

Outstanding Borrowings	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 244,287,761	\$ 176,407,692	-	-	244,287,761	\$ 176,407,692
Deferred amounts	15,277,740	11,280,530	-	-	15,277,740	11,280,530
Special assessment debt	5,000	115,000	-	-	5,000	115,000
Capital leases	-	-	157,377	243,268	157,377	243,268
Revenue bonds	-	-	156,935,000	163,465,000	156,935,000	163,465,000
Deferred amounts	-	-	17,107,463	18,120,071	17,107,463	18,120,071
Other government/bank loans	715,222	828,139	67,607,971	65,226,384	68,323,193	66,054,522
Total	\$ 260,285,722	\$ 188,631,361	\$ 241,807,811	\$ 247,054,723	\$ 502,093,534	\$ 435,686,084

Long-term debt increased by \$ 66.9 million during 2018, which was the result issuing a new \$73.6 Million bond. In December of 2018, the City of Spokane sold \$ 73,605,000 in UTGO bonds for the purpose of providing funds to finance capital improvements to the Spokane Public Library facilities and collection.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 72,142,586	\$ 23,458,056	\$ 95,600,642
Equity in pooled investments	196,803,035	126,008,303	322,811,338
Receivables (net)	44,856,592	38,622,178	83,478,770
Internal balances	(21,697,670)	21,697,670	-
Inventories	3,150,726	5,267,852	8,418,578
Net Pension Asset	58,737,599	-	58,737,599
Restricted Assets:			
Receivables, noncurrent	22,969,479	57,304	23,026,783
Equity in pooled investments, restricted	-	21,734,552	21,734,552
Capital Assets (Note 4):			
Non-depreciable assets	880,495,778	184,344,163	1,064,839,941
Depreciable assets, net of depreciation	696,266,671	688,998,258	1,385,264,929
Total capital assets, net of depreciation	1,576,762,449	873,342,421	2,450,104,870
Total Assets	1,953,724,796	1,110,188,336	3,063,913,132
DEFERRED OUTFLOWS			
Pensions	23,398,767	12,659,871	36,058,638
Opeb	479,687	122,515	602,202
Total deferred outflows	23,878,454	12,782,386	36,660,840
Total Assets Plus Deferred Outflows	1,977,603,250	1,122,970,722	3,100,573,972
LIABILITIES			
Accounts payable and accrued expenses	14,670,871	6,045,186	20,716,057
Unearned revenue	2,481	-	2,481
Other liabilities, current	9,638,796	3,896,490	13,535,286
Long term liabilities (Note 9):			
Due within one year	25,583,137	11,839,776	37,422,913
Due within more than one year	459,781,792	314,111,306	773,893,098
Total Liabilities	509,677,077	335,892,758	845,569,835
DEFERRED INFLOWS			
Pensions	74,362,974	38,740,149	113,103,123
Sale of Future Revenue	11,892	150,511	162,403
Bond refundings	2,707,167	-	2,707,167
Opeb	303,204	135,268	438,472
Total deferred inflows	77,385,237	39,025,928	116,411,165
Total Liabilities Plus Deferred Inflows	587,062,314	374,918,686	961,981,000
NET POSITION			
Net investment in capital assets	1,426,082,810	651,835,057	2,077,917,867
Restricted for:			
Capital projects	32,874,670	-	32,874,670
Debt service	8,965,486	-	8,965,486
Grants/other	28,467,327	-	28,467,327
Impact Fees	724,399	-	724,399
Police and firefighters' pension	1,356,898	-	1,356,898
Other	134,250	-	134,250
Unrestricted	(108,064,904)	96,216,979	(11,847,925)
Total Net Position	\$ 1,390,540,936	\$ 748,052,036	\$ 2,138,592,972

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, 2018

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	\$ 32,895,437	\$ 9,568,005	\$ 135,069	\$ 114,000	\$ (23,078,363)	\$ -	\$ (23,078,363)
Judicial	4,469,062	2,448,525	-	-	(2,020,537)	-	(2,020,537)
Public safety	109,280,781	9,458,872	5,312,384	247,446	(94,262,079)	-	(94,262,079)
Transportation	62,754,838	7,832,233	-	17,085,308	(37,837,297)	-	(37,837,297)
Economic environment	15,034,551	367,875	328,063	398,892	(13,939,721)	-	(13,939,721)
Social services	10,680,530	1,449,964	10,894,254	-	1,663,688	-	1,663,688
Culture and recreation	24,240,729	5,119,782	166,768	71,188	(18,882,991)	-	(18,882,991)
Interest on long-term debt	8,123,624	-	-	-	(8,123,624)	-	(8,123,624)
Total governmental activities	267,479,552	36,245,256	16,836,538	17,916,834	(196,480,924)	-	(196,480,924)
Business-Type Activities:							
Water/Sewer	124,201,016	161,533,060	-	6,131,961	-	43,464,005	43,464,005
Solid Waste	79,340,043	71,088,363	-	-	-	(8,251,680)	(8,251,680)
Other business-type activities	9,678,340	9,917,024	-	-	-	238,684	238,684
Total business-type activities	213,219,399	242,538,447	-	6,131,961	-	35,451,009	35,451,009
Total government	\$ 480,698,951	\$ 278,783,703	\$ 16,836,538	\$ 24,048,795	(196,480,924)	35,451,009	(161,029,915)
General revenues:							
Property taxes					73,109,055	-	73,109,055
Sales taxes					60,328,891	-	60,328,891
Utility taxes					64,414,402	-	64,414,402
Other taxes					24,944,317	-	24,944,317
Investment earnings					6,093,872	609,211	6,703,083
Transfers					6,948,007	(6,948,007)	-
Total general revenues and transfers					235,838,544	(6,338,796)	229,499,748
Change in Net Position					39,357,620	29,112,213	68,469,833
Net Position - beginning					1,348,475,138	718,917,096	2,067,392,234
Prior period adjustment					2,708,178	22,727	2,730,905
Net Position - beginning (restated)					1,351,183,316	718,939,823	2,070,123,139
Net Position - ending					\$ 1,390,540,936	\$ 748,052,036	\$ 2,138,592,972

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

**City of Spokane, Washington
Balance Sheet
Governmental Funds
December 31, 2018**

	General Fund	2018 UTGO Library Capital Bond	Arterial Street
ASSETS			
Cash and cash equivalents	\$ 19,202,028	\$ 23,520	\$ 8,424,840
Deposits with fiscal agents/trustees	22,698	-	-
Equity in pooled investments	15,752,233	70,105,842	7,782,471
Taxes receivable	14,150,058	-	205,023
Special assessment receivable	-	-	-
Accounts receivable	3,791,054	-	56,594
Interest receivable	1,680,644	13,597	5,591
Due from other funds	7,953,360	-	773,309
Interfund loan receivable	2,748,169	1,254,390	90,047
Due from other governments	1,365,447	-	5,080,666
Advances to other funds	2,182,911	6,870,035	493,167
Inventories	71,195	-	-
Notes/contract receivable (non-current)	121,927	-	-
Total Assets	69,041,724	78,267,384	22,911,708
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets Plus Deferred Outflows of Resources	\$ 69,041,724	\$ 78,267,384	\$ 22,911,708
LIABILITIES			
Accounts/vouchers payable	\$ 3,104,662	\$ 8,975	\$ 2,045,444
Due to other funds	1,396,865	-	194,646
Due to other governments	904,468	-	5,283
Revenues collected in advance	-	-	-
Interfund loan payable	-	-	-
Other accrued liabilities	5,605,502	-	-
Other current liabilities	781,425	-	912,519
Total Liabilities	11,792,922	8,975	3,157,892
DEFERRED INFLOWS OF RESOURCES			
Property taxes	1,729,971	-	-
Unavailable Revenues Special Assessments	-	-	-
Unavailable Revenues Impact Fees	-	-	1,836,664
Revenues not available	-	-	-
Total Deferred Inflows of Resources	1,729,971	-	1,836,664
Total Liabilities Plus Deferred Inflows of Resources	13,522,893	8,975	4,994,556
Fund Balance			
Nonspendable	2,254,106	-	-
Restricted - capital projects	-	78,258,409	17,192,753
Restricted - police & firefighters' pension	-	-	-
Restricted - grants	781,744	-	-
Restricted - impact fees	-	-	724,399
Restricted - debt service	-	-	-
Restricted - Other	-	-	-
Committed	5,600,258	-	-
Assigned	21,940,989	-	-
Unassigned	24,941,734	-	-
Total Fund Balance	55,518,831	78,258,409	17,917,152
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 69,041,724	\$ 78,267,384	\$ 22,911,708

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

**City of Spokane, Washington
Balance Sheet
Governmental Funds
December 31, 2018**

	Other Governmental Funds	Total
ASSETS		
Cash and cash equivalents	\$ 23,851,003	\$ 51,501,391
Deposits with fiscal agents/trustees	105,028	127,726
Equity in pooled investments	52,165,871	145,806,417
Taxes receivable	4,311,637	18,666,718
Special assessment receivable	1,201,813	1,201,813
Accounts receivable	4,852,554	8,700,202
Interest receivable	171,801	1,871,633
Due from other funds	3,803,723	12,530,392
Interfund loan receivable	890,508	4,983,114
Due from other governments	3,762,321	10,208,434
Advances to other funds	4,877,134	14,423,247
Inventories	1,275,306	1,346,501
Notes/contract receivable (non-current)	22,847,552	22,969,479
Total Assets	<u>124,116,251</u>	<u>294,337,067</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	-	-
Total Assets Plus Deferred Outflows of Resources	<u>\$ 124,116,251</u>	<u>\$ 294,337,067</u>
LIABILITIES		
Accounts/vouchers payable	\$ 5,036,788	\$ 10,195,869
Due to other funds	3,225,334	4,816,845
Due to other governments	342,126	1,251,877
Revenues collected in advance	10,788	10,788
Interfund loan payable	2,349,592	2,349,592
Other accrued liabilities	939,374	6,544,876
Other current liabilities	624,460	2,318,404
Total Liabilities	<u>12,528,462</u>	<u>27,488,251</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	402,416	2,132,387
Unavailable Revenues Special Assessments	1,201,813	1,201,813
Unavailable Revenues Impact Fees	-	1,836,664
Revenues not available	160,526	160,526
Total Deferred Inflows of Resources	<u>1,764,755</u>	<u>5,331,390</u>
Total Liabilities Plus Deferred Inflows of Resources	<u>14,293,217</u>	<u>32,819,641</u>
Fund Balance		
Nonspendable	1,275,306	3,529,412
Restricted - capital projects	40,121,867	135,573,029
Restricted - police & firefighters' pension	1,356,898	1,356,898
Restricted - grants	27,683,723	28,465,467
Restricted - impact fees	-	724,399
Restricted - debt service	8,965,486	8,965,486
Restricted - Other	134,250	134,250
Committed	23,519,200	29,119,458
Assigned	6,766,304	28,707,293
Unassigned	-	24,941,734
Total Fund Balance	<u>109,823,034</u>	<u>261,517,426</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 124,116,251</u>	<u>\$ 294,337,067</u>

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 2018

Total Fund Balance of Governmental Funds		\$	261,517,426
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	869,991,399		
Depreciable assets	1,334,243,844		
Less: Accumulated depreciation	(679,945,454)		
Total capital assets	1,524,289,789		1,524,289,789
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.			
			58,737,599
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	19,733,984		
Opeb	448,550		20,182,534
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	5,592,647		
Special Assesments	1,201,813		
Impact Fees	1,836,664		
Grants	10,788		
Revenues Collected for future sales	160,526		
Refunding debt	(2,707,167)		
Opeb	(268,831)		
Pensions	(63,148,467)		(57,322,027)
Total long term liabilities	(448,874,334)		(448,874,334)
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.			
			32,009,949
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	(244,287,761)		
Deferred amounts on bond issuance	(15,277,740)		
Special assessment debt	(5,000)		
Due to other governments	(715,223)		
Revitalization Areas	(3,052,870)		
Pollution Remediation	(1,620,000)		
OPEB (other postemployment benefits) liability	(92,401,301)		
Net pension obligation	(75,897,116)		
Accrued interest on bonds	(728,492)		
Compensated absences	(14,888,831)		
Total long term liabilities	(448,874,334)		(448,874,334)
Net Position of Governmental Activities		\$	1,390,540,936

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, 2018

	General Fund	2018 UTGO Library Capital Bond	Arterial Street
REVENUES			
Taxes	\$ 163,991,450	\$ -	\$ -
Licenses and permits	7,015,148	-	-
Intergovernmental	8,564,165	-	18,499,995
Charges for services	21,238,944	-	-
Fines and forfeitures	2,707,721	-	-
Miscellaneous	8,717,359	56,815	51,505
Net inc(dec) in market value of investments	(3,395,853)	1,739,726	-
Total Revenues	208,838,934	1,796,541	18,551,500
EXPENDITURES			
Current:			
General government	33,037,079	-	-
Public safety	117,110,880	-	-
Transportation	6,734,266	-	7,679,309
Economic environment	4,829,039	-	-
Social services	1,943,320	-	-
Culture and recreation	9,143,132	-	-
Capital outlays	1,728,595	544,038	26,582,095
Debt service:			
Principal	-	-	112,917
Interest	-	732,569	3,141
Total Expenditures	174,526,311	1,276,607	34,377,462
Excess of Revenues Over (Under) Expenditures	34,312,623	519,934	(15,825,962)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	95,538	-	-
Proceeds of bonds issued	-	73,605,000	-
Premium on bonds issued	-	4,133,475	-
Transfers in	810,265	-	32,768,175
Transfers out	(32,270,701)	-	(7,001,556)
Total Other Financing Sources (Uses)	(31,364,898)	77,738,475	25,766,619
Net change in fund balance	2,947,725	78,258,409	9,940,657
Fund Balance - beginning	51,023,158	-	7,252,096
Prior Period Adjustment	1,547,948	-	724,399
Fund balance - ending	\$ 55,518,831	\$ 78,258,409	\$ 17,917,152

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, 2018

	Other Governmental Funds	Total
REVENUES		
Taxes	\$ 46,038,974	\$ 210,030,424
Licenses and permits	527,278	7,542,426
Intergovernmental	19,687,362	46,751,522
Charges for services	17,519,640	38,758,584
Fines and forfeitures	3,410,595	6,118,316
Miscellaneous	4,109,831	12,935,510
Net inc(dec) in market value of investments	(877,983)	(2,534,110)
Total Revenues	90,415,697	319,602,672
EXPENDITURES		
Current:		
General government	8,979,494	42,016,573
Public safety	13,468,058	130,578,938
Transportation	27,171,472	41,585,047
Economic environment	10,834,104	15,663,143
Social services	7,772,683	9,716,003
Culture and recreation	18,858,930	28,002,062
Capital outlays	19,683,466	48,538,194
Debt service:		
Principal	6,073,493	6,186,410
Interest	7,255,151	7,990,861
Total Expenditures	120,096,851	330,277,231
Excess of Revenues Over (Under) Expenditures	(29,681,154)	(10,674,559)
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	6,164,801	6,260,339
Proceeds of bonds issued	-	73,605,000
Premium on bonds issued	-	4,133,475
Transfers in	26,915,117	60,493,557
Transfers out	(19,721,190)	(58,993,447)
Total Other Financing Sources (Uses)	13,358,728	85,498,924
Net change in fund balance	(16,322,426)	74,824,365
Fund Balance - beginning	126,145,460	184,420,714
Prior Period Adjustment	-	2,272,347
Fund balance - ending	\$ 109,823,034	\$ 261,517,426

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, 2018

Change in fund balance - governmental funds \$ **74,824,365**

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	50,932,619	
Depreciation expense	(31,539,185)	
		19,393,434

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	(13,966,813)	
Less accumulated depreciation	5,008,886	
		(8,957,927)

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.		3,044,472
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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:

Issuance of general obligation debt	(73,605,000)	
Principal repayments - general obligation debt	5,724,931	
Principal repayments - special assessment debt	110,000	
Principal repayments - due to other governments	112,917	
Principal repayments - Revitalization Areas	238,559	
		(67,418,593)

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	8,422,185	
(Increase) decrease in compensated absences	(598,771)	
(Increase) decrease in deferred amounts on bond issuance	(4,133,475)	
(Increase) decrease in deferred amounts on existing bond issuance	136,265	
(Increase) decrease in accrued interest	(132,763)	
(Increase) decrease in Pension Expense	13,479,525	
(Increase) decrease in refunding amortization	365,949	
		17,538,915

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.

932,954

Change in net position of governmental activities **\$ 39,357,620**

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, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 18,402,500	\$ 3,015,820	\$ 1,981,454	\$ 23,399,774	\$ 18,774,870
Deposits with fiscal agents	50,915	7,367	-	58,282	1,738,599
Equity in pooled investments	106,514,414	15,844,119	3,649,770	126,008,303	50,996,618
Accounts receivable	14,059,367	6,812,596	160,997	21,032,960	643,164
Interest receivable	120,346	22,312	2,363	145,021	35,949
Due from other funds	444,885	47,732	419,353	911,970	3,058,326
Interfund loan receivable	1,987,084	522,465	54,566	2,564,115	820,113
Due from other governments	17,327,011	117,186	-	17,444,197	5,723
Inventories	3,246,841	1,956,720	64,291	5,267,852	1,804,225
Prepayments	-	-	-	-	60,215
Equity in pooled investments, restricted	8,074,642	13,659,910	-	21,734,552	-
Total current assets	170,228,005	42,006,227	6,332,794	218,567,026	77,937,802
Noncurrent assets:					
Non depreciable capital assets:					
Land	11,109,289	2,450,382	1,289,224	14,848,895	6,742,065
Construction in progress	168,023,380	1,418,201	53,687	169,495,268	3,762,315
Depreciable capital assets:					
Property, plant, and equipment	347,378,030	228,153,868	16,309,672	591,841,570	74,674,331
Infrastructure	663,801,828	-	-	663,801,828	9,550,407
Capitalized software	-	-	-	-	5,450,022
Intangible assets	113,766	-	-	113,766	-
Less accumulated depreciation	(381,851,718)	(173,089,546)	(11,817,642)	(566,758,906)	(47,706,476)
Total capital assets	808,574,575	58,932,905	5,834,941	873,342,421	52,472,664
Other noncurrent assets					
Other noncurrent assets	27,500	29,804	-	57,304	-
Advances to other funds	10,882,854	2,861,432	298,850	14,043,136	4,491,585
Total noncurrent assets	819,484,929	61,824,141	6,133,791	887,442,861	56,964,249
Total assets	989,712,934	103,830,368	12,466,585	1,106,009,887	134,902,051
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	7,253,078	4,206,573	1,200,220	12,659,871	3,664,783
Opeb Outflows	75,892	37,608	9,015	122,515	31,137
Total deferred outflows of resources	7,328,970	4,244,181	1,209,235	12,782,386	3,695,920
Total assets plus deferred outflows of resources	997,041,904	108,074,549	13,675,820	1,118,792,273	138,597,971

City of Spokane, Washington
Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
LIABILITIES					
Current Liabilities:					
Accounts payable	2,520,930	3,426,223	98,039	6,045,192	2,492,711
Claims and judgments payable	-	-	-	-	17,042,283
Compensated absences	215,675	78,842	37,053	331,570	150,008
Capital lease payable	-	-	88,945	88,945	-
Due to other funds	8,034,358	1,742,099	250,802	10,027,259	1,656,581
Interfund loan payable	-	-	367,571	367,571	38,608,142
Due to other governments	3,154,290	-	-	3,154,290	1,920
Revenue bonds payable	8,074,642	-	-	8,074,642	-
Accrued interest	830,544	-	-	830,544	42,563
Other accrued liabilities	1,268,763	727,516	234,097	2,230,376	703,851
Other current liabilities	605,683	249,782	136,815	992,280	29,102
Total current liabilities	24,704,885	6,224,462	1,213,322	32,142,669	60,727,161
Noncurrent Liabilities:					
Revenue bonds payable	165,967,821	-	-	165,967,821	-
Due to other government units	64,917,674	-	-	64,917,674	-
Compensated absences	3,377,043	1,600,101	538,157	5,515,301	1,652,655
Noncurrent capital lease payable	-	-	68,433	68,433	-
Net pension liability	34,846,897	20,210,174	5,766,371	60,823,442	17,607,184
Total opeb liability	1,870,811	927,045	222,417	3,020,273	766,959
Accrued landfill postclosure liability	-	13,831,983	-	13,831,983	-
Total noncurrent liabilities	270,980,246	36,569,303	6,595,378	314,144,927	20,026,798
Total Liabilities	295,685,131	42,793,765	7,808,700	346,287,596	80,753,959
DEFERRED INFLOWS OF RESOURCES					
Pensions	22,194,963	12,872,424	3,672,762	38,740,149	11,214,507
Opeb	83,792	41,523	9,953	135,268	34,373
Sale of Future Revenue	-	-	150,511	150,511	11,892
Total deferred inflows of resources	22,278,755	12,913,947	3,833,226	39,025,928	11,260,772
Total liabilities plus deferred inflows of resources	317,963,886	55,707,712	11,641,926	385,313,524	92,014,731
NET POSITION					
Net investments in capital assets	587,224,588	58,932,905	5,677,564	651,835,057	52,472,664
Restricted for unspent bond proceeds	-	-	-	-	-
Unrestricted	91,853,430	(6,566,068)	(3,643,670)	81,643,692	(5,889,424)
Total Net Position	\$ 679,078,018	\$ 52,366,837	\$ 2,033,894	733,478,749	\$ 46,583,240
				Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	14,573,287
				Net position of business-type activities	<u>\$ 748,052,036</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, 2018

	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	\$ 141,699,889	\$ 69,050,847	\$ 10,071,771	\$ 220,822,507	\$ 90,703,128
Total operating revenues	141,699,889	69,050,847	10,071,771	220,822,507	90,703,128
OPERATING EXPENSES					
Salaries and wages	24,517,098	14,806,448	4,878,815	44,202,361	13,706,919
Personnel benefits	8,191,878	5,253,815	1,642,909	15,088,602	4,732,859
Supplies	6,001,377	4,232,711	408,960	10,643,048	7,801,660
Other services and charges	24,627,446	33,351,308	2,745,378	60,724,132	15,722,595
Intergovernmental	-	308	-	308	-
Taxes	33,640,293	10,984,262	22,854	44,647,409	135,296
Depreciation/amortization	22,494,549	10,799,159	374,651	33,668,359	5,784,587
Risk transfer payments	385,632	425,494	-	811,126	10,646,783
Claims processing	-	-	-	-	2,485,693
Payments to claimants and beneficiaries	-	-	-	-	33,137,704
Total operating expenses	119,858,273	79,853,505	10,073,567	209,785,345	94,154,096
Operating Income (Loss)	21,841,616	(10,802,658)	(1,796)	11,037,162	(3,450,968)
NONOPERATING REVENUES (EXPENSES)					
Interest income	497,389	101,324	10,498	609,211	179,481
Gain (loss) on disposition of capital assets	(237,867)	(961)	2,338	(236,490)	(732,089)
Interest expense	(7,032,974)	-	-	(7,032,974)	(836,714)
Other nonoperating revenue	7,045,875	2,184,382	173,247	9,403,504	1,211,013
Total nonoperating revenues (expenses)	272,423	2,284,745	186,083	2,743,251	(178,309)
Income (loss) before capital contributions and transfers	22,114,039	(8,517,913)	184,287	13,780,413	(3,629,277)
Capital contributions	20,926,794	-	-	20,926,794	558,705
Transfers in	25,000	-	-	25,000	9,277,770
Transfers out	(6,214,037)	(700,000)	(58,970)	(6,973,007)	(3,921,220)
Total contributions and transfers	14,737,757	(700,000)	(58,970)	13,978,787	5,915,255
Change in Net Position	36,851,796	(9,217,913)	125,317	27,759,200	2,285,978
Net Position - beginning	642,182,216	61,600,942	1,913,664	705,696,822	44,712,026
Prior Period Adjustment	44,006	(16,192)	(5,087)	22,727	(414,764)
Net Position - beginning (restated)	642,226,222	61,584,750	1,908,577	705,720,549	44,297,262
Net Position - ending	<u>\$ 679,078,018</u>	<u>\$ 52,366,837</u>	<u>\$ 2,033,894</u>	<u>\$ 733,478,749</u>	<u>\$ 46,583,240</u>
			Change in Net Position	27,759,200	
			Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	1,353,013	
			Change in net position of business-type activities	<u>\$ 29,112,213</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, 2018

	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	\$ 140,627,453	\$ 70,920,440	\$ 10,561,907	\$ 222,109,800	\$ 91,334,048
Payments to suppliers for services	(34,209,888)	(34,319,346)	(3,212,308)	(71,741,542)	(69,708,463)
Payments to employees	(32,363,523)	(19,370,389)	(6,871,327)	(58,605,239)	(17,769,731)
Payment for taxes - city and state	(33,640,293)	(10,984,570)	(22,682)	(44,647,545)	(135,280)
Other receipts (payments)	128,197	(16,192)	2,701	114,706	(666,303)
Net cash provided (used) by operating activities	40,541,946	6,229,943	458,291	47,230,180	3,054,271
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in (out)	(6,189,037)	(700,000)	(50,000)	(6,939,037)	(1,585,201)
Net cash provided (used) by noncapital financing activities	(6,189,037)	(700,000)	(50,000)	(6,939,037)	(1,585,201)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Proceeds from disposal of capital assets	283,194	29,600	2,479	315,273	88,316
Proceeds from loans, notes, and lease purchase payable	4,915,069	-	(44,473)	4,870,596	8,149,160
Capital grants and contributions received	463,993	-	-	463,993	-
Acquisition and construction of capital assets	(137,052,700)	(2,539,490)	(100,153)	(139,692,343)	(9,182,543)
Principal paid on intergovernmental loans	(2,761,313)	-	-	(2,761,313)	-
Principal paid on revenue bonds	(6,530,000)	-	-	(6,530,000)	-
Principal paid on capital leases	-	-	(41,419)	(41,419)	-
Principal paid on interfund loans	-	-	-	-	(5,224,652)
Interest paid on interfund loans	-	-	-	-	(836,714)
Interest paid on intergovernmental loans	(890,550)	-	-	(890,550)	-
Interest paid on revenue bonds	(6,994,570)	-	-	(6,994,570)	-
Interest paid on general obligation bonds	-	-	-	-	-
Transfers in (out)	12,433,349	-	(8,970)	12,424,379	6,876,760
Net cash provided (used) by capital and related financing activities	(136,133,528)	(2,509,890)	(192,536)	(138,835,954)	(129,673)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(42,469,284)	(1,020,645)	(660,260)	(44,150,189)	(4,405,183)
Proceeds from sales and maturities of investments	157,188,279	500,000	2,078,105	159,766,384	18,347,186
Interest received	523,102	96,897	7,982	627,981	174,744
Net cash provided (used) by investing activities	115,242,097	(423,749)	1,425,827	116,244,175	14,116,747
Net increase (decrease) in cash and cash equivalents	13,461,478	2,596,306	1,641,582	17,699,366	15,456,144
Cash and cash equivalents - January 1	4,941,021	419,514	339,872	5,700,407	3,318,726
Cash and cash equivalents - December 31	\$ 18,402,500	\$ 3,015,820	\$ 1,981,454	\$ 23,399,774	\$ 18,774,870
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 21,841,616	\$ (10,802,656)	\$ (1,795)	\$ 11,037,165	\$ (3,450,968)
Adjustments to Reconcile Operating Income					
Depreciation & amortization	22,494,549	10,799,159	374,649	33,668,357	5,784,587
Prior period adjustment	128,197	(16,192)	(5,087)	106,918	(668,464)
Change in Accounting Principle	-	-	-	-	-
Other revenues	7,045,875	2,184,380	173,246	9,403,501	1,168,018
Other expenses	-	-	-	-	-
Change in Assets: Decrease (Increase)					
Receivables, net of allowance	(8,112,811)	(317,983)	316,890	(8,113,904)	(469,467)
Deposits with fiscal agents	-	3,202	-	3,202	(24,990)
Inventories	(188,349)	115,855	4,216	(68,278)	(23,482)
Prepayments	-	-	-	-	23,414
Change in Deferred Outflows : Decrease (Increase)	3,012,533	1,831,411	591,557	5,435,501	1,468,727
Change in Liabilities: Increase (Decrease)					
Payables	(25,066,669)	(8,822,365)	(4,176,753)	(38,065,787)	(10,676,856)
Change in Deferred Inflows: Increase (Decrease)	19,387,005	11,255,132	3,181,368	33,823,505	9,923,752
Net Cash provided (used) by operating activities	\$ 40,541,946	\$ 6,229,943	\$ 458,291	\$ 47,230,180	\$ 3,054,271
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ 8,493,439	\$ -	\$ -	\$ 8,493,439	\$ 476,327

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, 2018

	Pension and Other Employee Benefit Plans	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash	\$ 905,075	\$ 34,545	\$ 517,751
Short term investments	859,764	-	-
Receivables, pension and other employee benefit plans:			
Interest and dividends	351,797	-	-
Taxes receivable	500,000	-	-
Due from other governments	20,432	-	415
Other receivables	1,839	5,235	-
Investments, noncurrent, at fair value:			
U.S. fixed income	66,283,866	-	-
International/global fixed income	1,087,757	-	-
U.S. equities	75,843,382	-	-
Real estate	25,314,141	-	-
International equities	58,948,145	-	-
Alternatives	82,721,805	-	-
Total investments	310,199,096	-	-
Capital assets:			
Software	477,000	-	-
Other improvements	17,539	-	-
Accumulated depreciation	(184,489)	-	-
Investments, noncurrent, all other funds:			
Total Assets	313,148,053	39,780	518,166
LIABILITIES			
Accounts/vouchers payable	164,247	-	-
Due to other governments	267	-	515,498
Compensated absences	26,401	-	-
Other accrued liabilities	13,541	-	-
Other current liabilities	30,394	-	2,668
Total Liabilities	234,850	-	518,166
NET POSITION			
Net position held in trust for:			
Pension benefits	299,886,662	-	-
Postemployment benefits	13,026,541	-	-
Individuals, organizations, and other governments	-	39,780	-
Total Net Position	\$ 312,913,203	\$ 39,780	-

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, 2018

	Pension and Other Employee Benefit Plans	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 17,113,549	\$ -
Plan members	9,188,781	-
Intergovernmental revenue	345,789	-
Medicare retiree drug subsidy	270,821	-
Miscellaneous	256,364	-
Private contributions	-	11,181
Total Contributions	27,175,304	11,181
Investment Income:		
Net increase (decrease) in fair value of investments	(23,173,053)	-
Interest and dividends	5,497,326	-
Total investment earnings (loss)	(17,675,727)	-
Less: Investment expense	(523,736)	-
Net investment income (loss)	(18,199,463)	-
Total Additions	8,975,841	11,181
DEDUCTIONS		
Pension Benefits	29,565,324	-
Medical and dental benefits	5,936,280	-
Pension refunds	554,422	-
Medical and dental administration	391,919	-
Administrative expenses	709,345	-
Total Deductions	37,157,290	-
Change in Fiduciary Net Position	(28,181,449)	11,181
Fund Balance - beginning	341,094,652	28,599
Net position - ending	\$ 312,913,203	\$ 39,780

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 220,100 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 2018 reporting, the City evaluated the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB 85 Omnibus 2017. This statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Note 6 Defined Other Post- Employment Benefits and presenting payroll related measures in the Required Supplementary Information required no changes under this guidance.

GASB 86 Certain Debt Extinguishment Issues. This statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision –usefulness of that information. This statement is not applicable to the City of Spokane.

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 and was dissolved and absorbed by the primary government effective 1/6/2018.

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, 2018, 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.
- **2018 UTGO Library Capital Bond Fund** accounts for monies received from proceeds of general obligation bonds to finance improvements to and expansion of the Spokane Public Library facilities.

- **Arterial Street Fund** is used exclusively for the construction, improvement and repair of the arterial streets and for any other legally approved street in the City.

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 and the Spokane Regional Transportation Council 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, 2018:

Fund	Amount
2018 UTGO Library Capital Bond	1,276,607
Intermodal Facility Operation	59,928
Kendall Yards TIF Fund	137,363
Total	1,473,898

Funds with Deficit Fund Balance/Net Position

The following funds reported deficit fund balance/net position as of December 31, 2018:

Fund	Amount
2008 Parks	108
Building Services Fund	1,991,086
Public Works Utilities Fund	2,711,788
Reprographics Fund	143,400
Accounting Services Fund	5,116,179
My Spokane	1,113,862
Total	11,076,424

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 the net OPEB liability related to the City’s Retiree Medical Plan 2 pursuant to 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	13,659,910
Current portion of revenue bonds payable	8,074,642
Total	21,734,552

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 and 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 through 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, 2018 are shown below:

Fund Balance	General Fund	2018 UTGO Library Capital Bond	Arterial Street	Nonmajor Government Funds	Total
<i>Nonspendable:</i>					
Interfund loans receivable	2,182,911	-	-	-	2,182,911
Inventories	-	-	-	1,275,306	1,275,306
Prepays	71,195	-	-	-	71,195
Total Nonspendable Fund Balance	2,254,106	-	-	1,275,306	3,529,412
<i>Restricted for:</i>					
Capital projects	-	78,258,409	17,192,753	40,121,867	135,573,029
Debt service	-	-	-	8,965,486	8,965,486
Impact Fees	-	-	724,399	-	724,399
Grants	781,744	-	-	27,683,723	28,465,467
Police/firefighters' pension	-	-	-	1,356,898	1,356,898
Other	-	-	-	134,250	134,250
Total Restricted Fund Balance	781,744	78,258,409	17,917,152	78,262,224	175,219,529
<i>Committed for:</i>					
Revenue stabilization	3,954,999	-	-	-	3,954,999
City facilities	-	-	-	184,162	184,162
Communication	-	-	-	5,297,537	5,297,537
Transportation	169,144	-	-	7,012,611	7,181,755
Public safety	1,476,115	-	-	7,864,728	9,340,843
Culture and recreation	-	-	-	3,086,283	3,086,283
Benefits	-	-	-	73,879	73,879
Total Committed Fund Balance	5,600,258	-	-	23,519,200	29,119,458
<i>Assigned for:</i>					
Contingency reserve	14,879,422	-	-	-	14,879,422
General Government	3,973,210	-	-	-	3,973,210
Library capital replacement	2,390,330	-	-	-	2,390,330
Communication	-	-	-	-	-
Human Services	-	-	-	477,259	477,259
Law enforcement	-	-	-	6,862	6,862
Fire protection	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and recreation	-	-	-	300,000	300,000
Code enforcement	591,532	-	-	-	591,532
City facilities/improvement	83,926	-	-	5,971,513	6,055,439
Benefits	-	-	-	-	-
Other purposes	22,569	-	-	10,670	33,239
Total Assigned Fund Balance	21,940,989	-	-	6,766,304	28,707,293
<i>Unassigned:</i>	24,941,734	-	-	-	24,941,734
Total	55,518,831	78,258,409	17,917,152	109,823,034	261,517,426

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, 2018, \$53.1 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	4,084,290
Nonmajor Governmental Funds	49,058,239
Total	53,142,529

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 Officer 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, 2018, all of the \$344.5 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 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.

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, 2018:

Deposit Type	Value
Reconciliation of Restricted/Unrestricted Cash and Investments:	
Cash	\$ 93,064,730
Petty Cash	611,305
Deposits with Fiscal Agents	1,924,607
Investments	344,545,890
	440,146,532

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, 2018.

Interest Rate Risk	Fair Value	Maturity				Effective Duration (in years)
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
City Treasurer Investments Categorized						
US Government Agencies	308,120,278	46,345,688	224,855,975	36,918,615	-	4.24
Strip Bonds	36,425,613	-	7,046,815	23,944,781	5,434,016	6.89
Total investments categorized	344,545,890	46,345,688	231,902,790	60,863,396	5,434,016	
Pension Trust Funds						
Employees' Retirement System						Average Maturity
Fixed Income Mutual Funds	11,491,293	11,491,293	-	-	-	-
Corporate Notes and Bonds	9,075,413	311,865	3,195,347	2,305,857	3,262,344	5.86
Asset Backed Securities	5,977,991	-	1,622,312	1,156,943	3,198,736	10.37
Governmental CMOs	4,144,001	-	-	459,920	3,684,081	16.70
Municipal Bonds	1,452,796	30,665	686,874	551,334	183,923	17.56
Mortgage Backed						
Governmental Passthrough	1,183,087	-	-	224,344	958,743	19.89
U.S. Government Treasuries	1,762,744	-	587,443	25,257	1,150,044	17.31
	-	-	-	-	-	-
Total investments categorized	35,087,325	11,833,823	6,091,976	4,723,655	12,437,871	
Investments not required to be categorized:						
Cash equivalents	554,256	-	-	-	-	-
Equity securities	134,791,527	-	-	-	-	-
Real estate	25,314,141	-	-	-	-	-
Alternative investments	82,721,805	-	-	-	-	-
Total investments not categorized	243,381,729	-	-	-	-	-
Total Investments	278,469,054	11,833,823	6,091,976	4,723,655	12,437,871	
Firefighters' Pension System						
						Average Maturity
US Government Treasuries	13,273,549	3,699,575	2,895,609	6,175,785	502,580	4.38
Mortgage Backed Securities						
Government Pass Through	5,301,275	129,246	34,067	3,830,339	1,307,623	9.45
Government CMOs	3,194,459	-	-	2,349,492	844,967	8.31
Corporate Bonds/Notes	9,755,518	1,056,558	6,400,609	2,298,352	-	2.73
Asset Backed Securities	759,497	-	114,434	451,133	193,930	5.15
Total investments categorized	32,284,298	4,885,379	9,444,719	15,105,101	2,849,100	
Investments not required to be categorized:						
Cash equivalents	280,811	-	-	-	-	-
Total investments not categorized	280,811	-	-	-	-	-
Total Investments	32,565,109	4,885,379	9,444,719	15,105,101	2,849,100	
Police Pension System						
Investments not required to be categorized:						
Cash equivalents	24,697	-	-	-	-	-
Total Investments	24,697	-	-	-	-	-

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 2018 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, 2018.

Investment Type	Fair Value	Investment Credit Rating						
		AAA	AA+	A	BBB	BB	B	Not Rated
US Government Agencies	36,425,609		7,362,823	-	-	-	-	29,062,787
Strip Bonds	308,120,281		306,663,346	-	-	-	-	1,456,935
Total	344,545,890	-	314,026,168	-	-	-	-	30,519,722
Employees' Retirement System								
Fixed Income Mutual Funds	11,491,293	-	-	-	-	-	-	11,491,293
Corporate Notes and Bonds	9,075,412	91,820	315,452	2,740,977	5,826,507	44,640	-	56,016
Asset Backed Securities	5,977,991	5,748,870	-	-	-	-	-	229,121
Governmental CMOs	4,144,001	-	4,144,001	-	-	-	-	-
Municipal Bonds	1,452,795	73,415	1,280,774	25,149	73,457	-	-	-
Mortgage Backed Securities								
Governmental Passthrough	1,183,087	1,183,087	-	-	-	-	-	-
U.S. Government Treasuries	1,762,746	1,762,746	-	-	-	-	-	-
Total	35,087,325	8,859,939	5,740,226	-	5,899,964	44,640	-	11,776,429
Firefighters' Pension System								
US Government Treasuries	13,273,549	-	13,273,549	-	-	-	-	-
Mortgage Backed Securities								
Government Pass Through	5,301,275	-	5,301,275	-	-	-	-	-
Government CMOs	3,194,459	-	3,194,459	-	-	-	-	-
Corporate Bonds/Notes	9,755,518	-	724,932	4,445,842	4,584,744	-	-	-
Asset Backed Securities	759,497	-	267,790	491,707	-	-	-	-
Total	32,284,298	-	22,762,004	4,937,550	4,584,744	-	-	-

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, 2018 were:

Organization	% of Net Position
City of Spokane Employees' Retirement System	
Sterling Capital Management	9.9%
Hotchkis & Wiley	9.0%
Artisan Partners	7.0%
American Funds	6.8%
Vanguard Funds	6.8%
Evanston Capital Management	5.4%
Contrarian Capital Management	5.2%
Jackson Square	5.2%

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, 2018 were:

Organization	% of Net Position
City of Spokane Firefighter's Pension System	
US Treasury Notes	44.7%
Fannie Mae	20.0%

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, 2018, there were no holdings exposed to foreign currency risk.

Employees' Retirement System

At December 31, 2018, 29.4% 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, 2018 was:

Category	Total Investments	US Issues	Foreign Issues	% Foreign
Cash	554,256	554,256	-	0.00%
Fixed Income	49,551,806	42,407,189	7,144,617	14.40%
Equities	134,791,528	77,591,023	57,200,505	42.40%
Real Estate	25,314,141	25,130,755	183,386	0.70%
Alternatives	68,257,323	51,019,994	17,237,329	25.30%
Total	278,469,054	196,703,217	81,765,837	29.40%

Spokane Firefighters' Trust Fund

The Fire investment policy does not allow investments in foreign issuances. At December 31, 2018, 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, 2018, 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 in effect as of 12/31/2018. 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 2018, the selected funds were Treasurer's Cash, General Fund, Community Development Block Grants, CDBG Revolving Loan, Home Program, Housing Assistance Program, Housing Trust Grant, the Park Bond, and the Library Bond.

Investments in Local Government Investment Pool (LGIP)

The City of Spokane is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy annually and proposed changes are reviewed by the LGIP advisor Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized costs which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments at amortized costs. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98540-0200, online at <http://www.tre.wa.gov>.

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, 2018:

		Quoted Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Investment by fair value level	12/31/2018	(Level 1)	(Level 2)	(Level 3)	(NAV)
US Government Agencies	308,120,278	308,120,278	-	-	-
Strip Bonds	36,425,609	36,425,609	-	-	-
Total	344,545,887	344,545,887	-	-	-
Pension Trust Funds					
Employees' Retirement System					
Cash Equivalents	554,256	554,256	-	-	-
Total Cash Equivalents	554,256	554,256	-	-	-
US Government	7,089,834	7,089,834	-	-	-
US Corporate Fixed Income	8,390,879	8,390,879	-	-	-
International Fixed Income	684,533	684,533	-	-	-
Asset Backed Securities	5,977,991	5,977,991	-	-	-
Municipal Bonds	1,452,795	1,452,795	-	-	-
Fixed Income Mutual Funds	11,491,293	11,491,293	-	-	-
Total Fixed Income	35,087,325	35,087,325	-	-	-
US Common Stock	17,651,848	17,651,848	-	-	-
International Common Stock	583,537	583,537	-	-	-
Equity Mutual funds	112,129,047	99,169,281	12,959,766	-	-
Total Equities	130,364,432	117,404,666	12,959,766	-	-
Real estate	15,796,228	-	-	-	15,796,228
Alternative investments	96,666,813	-	-	-	96,666,813
Total - All Investments	278,469,054	153,046,247	12,959,766	-	112,463,041
Firefighters' Pension System					
US Government Treasuries	13,273,549	13,273,549	-	-	-
Mortgage Backed Securities					
Government Pass Through	5,301,275	5,301,275	-	-	-
Government CMOs	3,194,459	3,194,459	-	-	-
Corporate Bonds/Notes	9,755,518	9,755,518	-	-	-
Asset Backed Securities	759,497	759,497	-	-	-
Total	32,284,298	32,284,298	-	-	-

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	13,945,009	-	Monthly, Annually	15-90 Days
Long/Short Hedge Fund	23,157,321	-	Quarterly	60-65 Days
Real Estate Fund	15,796,228	1,398,976	N/A	N/A
Absolute Return Hedge Fund	29,754,219	-	Monthly, Quarterly, Semi-Annually	30-45 Days
Closed-End Hedge Fund	5,023,732	2,505,731	N/A	N/A
Fixed Income Fund	24,786,533	-	Quarterly	90 Days
Total	112,463,042	3,904,707		

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 outside 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 principle, 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	59,029	3.305525
EMS	8,551	0.478823
Bond	3,193	0.184313
Park Bond	2,337	0.132119
Total	73,109	4.100780

Note 4

Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

Capital Assets	Jan 01, 2018 Beginning Balance	Increases	Decreases	Dec 31, 2018 Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	839,422,014	303,572	(110,067)	839,615,519
Construction in progress ¹	36,574,709	23,708,399	(19,402,849)	40,880,259
Total capital assets, not being depreciated	875,996,723			880,495,778
Capital assets, being depreciated:				
Buildings ¹	93,275,631	3,595,180	(376,497)	96,494,314
Accumulated depreciation ¹	(44,964,475)	(2,067,538)	157,890	(46,874,123)
Net buildings ¹	48,311,156			49,620,191
Other improvements ¹	95,526,848	2,692,800	(325,126)	97,894,522
Accumulated depreciation ¹	(44,840,515)	(4,410,737)	124,407	(49,126,845)
Net other improvements ¹	50,686,334			48,767,677
Machinery and equipment	101,422,948	9,512,059	(5,279,060)	105,655,947
Accumulated depreciation	(68,035,113)	(6,178,051)	3,824,701	(70,388,463)
Net machinery and equipment	33,387,835			35,267,484
Infrastructure ¹	1,088,737,347	33,462,235	(3,775,786)	1,118,423,796
Accumulated depreciation ¹	(536,859,156)	(24,397,858)	2,348,653	(558,908,361)
Net infrastructure ¹	551,878,191			559,515,435
Intangible assets	5,450,022	-	-	5,450,022
Accumulated amortization	(2,084,551)	(269,587)	-	(2,354,138)
Net intangible assets	3,365,471			3,095,884
Total Capital assets, being depreciated (net)¹	687,628,986			696,266,671
Governmental Activities, Capital Assets (net)¹	1,563,625,709			1,576,762,449

¹Beginning Balance Restated

Capital Assets	Jan 01, 2018 Beginning Balance	Increases	Decreases	Dec 31, 2018 Ending Balance
BUSINESS-TYPE ACTIVITIES cont.				
Capital assets not being depreciated				
Land	\$ 14,551,977	\$ 296,918	\$ -	\$ 14,848,895
Construction in progress	124,598,922	133,753,649	(88,857,302)	169,495,268
Total capital assets, not being depreciated	139,150,899			184,344,163
Capital assets, being depreciated:				
Buildings	321,987,119	1,915,274	-	323,902,393
Accumulated depreciation	(203,758,532)	(9,260,063)	-	(213,018,595)
Net buildings	118,228,587			110,883,798
Other improvements	106,990,594	1,698,222	51,420	108,740,236
Accumulated depreciation	(55,249,429)	(6,535,458)	-	(61,784,887)
Net other improvements	51,741,165			46,955,349
Machinery and equipment	155,015,706	5,702,593	(1,519,357)	159,198,942
Accumulated depreciation	(95,698,805)	(8,622,101)	1,276,928	(103,043,978)
Net machinery and equipment	59,316,901			56,154,964
Infrastructure	570,902,199	93,565,805	(666,177)	663,801,826
Accumulated depreciation ¹	(179,860,536)	(9,248,459)	281,737	(188,827,259)
Net infrastructure	391,041,662			474,974,568
Intangible assets	113,766	-	-	113,766
Accumulated amortization	(81,911)	(2,276)	-	(84,187)
Net intangible assets	31,855			29,579
Total Capital assets, being depreciated (net)	620,360,171			688,998,258
Business-Type Activities, Capital Assets (net)	\$ 759,511,070			\$ 873,342,421
DEPRECIATION				
Governmental Activities:				
General government				\$ 1,267,433
Judicial				132,617
Public safety				4,011,202
Transportation				25,977,160
Economic environment				332,968
Social Services				605,632
Culture and recreation				4,996,759
Total Depreciation Expense - Governmental Activities				\$ 37,323,771
Business-Type Activities:				
Water/Sewer				\$ 22,494,549
Solid Waste				10,799,159
Other				374,651
Total Depreciation Expense - Business-Type Activities				\$ 33,668,359
¹ Beginning Balance Restated				

The City paid \$7,032,974 in interest expense related to business-type activities during 2018. None of this balance was capitalized.

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.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2018:

Aggregate Pension Amounts – All Plans		
Pension liabilities	\$	154,327,742
Pension assets		58,737,599
Deferred outflows of resources		36,058,638
Deferred inflows of resources		(113,103,123)
Pension expense/expenditures		2,684,978

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 officials 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 but before January 1, 2015, 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 but before January 1, 2018, 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.

The State of Washington contributes a 25% of taxes collected on fire insurance premiums to the Firefighters' Pension System and is considered a non-employer contributing entity. The revenue received through this tax amounted to \$345,789 in 2018.

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 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	1,424	123	1,481	3,028	12/31/2018
Firefighters' Pension System	250	-	-	250	12/31/2018
Police Pension System	197	-	-	197	12/31/2018
Total	1,871	123	1,481	3,475	

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 financial statements for SERS and actuarial reports for the Police and Firefighters' pension plans administered by the City of Spokane. Those stand-alone statements for the SERS retirement systems 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 7.4 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, 2018, 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	-6.30%	1.71%	2.07%	9.56%	9.56%

Estimated Rates of Return

Below are the estimated real rates of return for the various pension plans as of December 31, 2018:

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, 2018 were:

Target Allocation	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
Global equity	50%	-	-	32%	32%
US fixed income	-	100%	-	20%	20%
Global fixed income	15%	-	-	-	-
Long/short and special opportunities	14%	-	-	-	-
Absolute return	10%	-	-	-	-
Real estate	6%	-	-	18%	18%
Private equity	-	-	-	23%	23%
Commodities	4%	-	-	-	-
Tangible assets	-	-	-	7%	7%
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, 2018 for SERS, Firefighters' and Police, and dated as of June 30, 2018 for LEOFF Plan 1 & 2 are shown in the table below.

Net pension liability (Asset)					
Component	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
Total pension liability	458,119,623	17,797,055	6,038,299	38,704,974	224,593,308
Plan fiduciary net position	308,637,220	17,740,227	899,431	55,897,288	266,138,593
LESS (Public Facilities District)	(350,357)	-	-	-	-
Net pension liability (asset)	149,132,046	56,828	5,138,868	(17,192,314)	(41,545,285)
Plan fiduciary net position as a % of total pension liability	67.42%	99.68%	14.90%	144.42%	118.50%

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	(17,192,314)	(41,545,285)
State's proportionate share of the net pension asset associated with the employer	(116,288,383)	(26,899,788)
TOTAL	(133,480,697)	(68,445,073)

At December 31, 2018 the City of Spokane's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 12/31/17	Proportionate Share 12/31/18	Change in Proportion
LEOFF 1	0.954411%	0.946973%	-0.007438%
LEOFF 2	2.021074%	2.046346%	0.025272%

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, 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, 2017.

LEOFF 1 & 2

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, 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 changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.7% to 7.5% for all systems except LEOFF 2. For LEOFF 2, the valuation interest rate was lowered from 7.5% to 7.4%.
- Lowered the assumed general salary growth from 3.75% to 3.5% for all systems.
- Lowered the assumed inflation from 3.0% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

	Employees' Retirement System	Firefighters' Pension System	Police Pension System	LEOFF 1	LEOFF 2
Valuation date	12/31/2018	12/31/2018	12/31/2018	6/30/2017	6/30/2017
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)	22	n/a	19	7	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%	3.0%	3.0%	7.50%	7.40%
Projected salary increases ²	2.5-12.0%	n/a	n/a	3.50%	3.50%
Economic inflation	2.3%	2.5%	2.5%	2.75%	2.75%
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 for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA,	RP-2000 Mortality Tables for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA,	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 9.0% contribution rate and that city contributions will be made at the same rate. The contribution rate for all participants and the City increased to 9.25% on December 16, 2018. 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 7.40%. To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent. Consistent with the long-term expected rate of return, a 7.4 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 7.4 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	198,000,057	149,482,403	108,110,636	7.50%
Firefighters'	1,976,031	56,828	(1,580,374)	3.00%
Police	5,664,663	5,138,868	4,679,793	3.00%
LEOFF 1	(13,676,819)	(17,192,314)	(20,218,953)	7.50%
LEOFF 2	(5,524,745)	(41,545,285)	(70,924,224)	7.40%

¹SERS data includes amount related to the Public Facilities District. \$350,357 of the current discount is PFD.

H. PENSION EXPENSE

For the year ended December 31, 2018, the City recognized pension expense as follows:

Pension Expense			
Description	SERS	Firefighters'	Police
Service Cost	13,133,393	-	-
Interest Cost	29,336,782	684,842	222,541
Benefit Changes	165,092	-	-
Experience loss (gain)	(638,373)	(1,114,154)	(1,349,629)
Change in Assumptions	(12,829,449)	1,637,202	-
Contributions-Employer	-	-	-
Contributions-Employee	(8,113,319)	-	-
Net Investment Income:			
Expected Return on Investments	(20,366,115)	(673,036)	(24,940)
Investment (gain) loss expensed	(4,543,891)	64,315	4,967
Investment (gain) loss deferred	-	-	-
Benefits paid, including refunds of employee contributions	-	-	-
Administrative Expense	563,078	29,362	29,531
Amortization	10,832,178	(13,932)	(103,322)
Other Changes	-	-	-
Total Pension Expense	7,539,376	614,599	(1,220,852)
LESS (Public Facilities District)	(17,671)	-	-
Total Pension Expense	7,521,705	614,599	(1,220,852)

For the year ended December 31, 2018 the City recognized pension expense for the following state plans:

Pension Expense	
LEOFF 1	(2,661,610.40)
LEOFF 2	(1,568,863.27)
TOTAL	(4,230,473.67)

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, 2018, 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	-	12,775,228	-	712,011	-	44,108
Change of Assumptions	(94,977,165)	-	-	-	-	-
Differences Between Expected and Actual Experience	-	18,232,791	(1,365,279)	-	(771,093)	-
Change in Proportion and Differences Between Contributions and Proportionate Share of Contributions	(9,201)	32,524	-	-	-	-
City Contributions Subsequent to the Measurement Date	-	-	-	-	-	-
Total	(94,986,366)	31,040,543	(1,365,279)	712,011	(771,093)	44,108

	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	(1,395,765)	-	(7,270,984)	-
Change of Assumptions	-	-	(5,962,500)	23,517
Differences Between Expected and Actual Experience	-	-	(964,686)	2,225,500
Change in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-	(386,451)	131,034
Contributions subsequent to the measurement date	-	-	-	1,881,925
Total	(1,395,765)	-	(14,584,620)	4,261,976

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, 2019. 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
2019	(19,480,832)	6,517,743	6,702,291	(229,073)	279,456	(115,606)	17,251
2020	(19,480,832)	6,517,744	5,460,549	(229,073)	230,178	(115,606)	12,786
2021	(19,480,832)	3,138,903	645,079	(229,073)	138,061	(115,606)	9,103
2022	(19,480,832)	2,058,402	(83)	(229,073)	64,315	(115,606)	4,967
2023	(17,063,036)	-	(83)	(229,073)	-	(115,606)	-
Thereafter	-	-	-	(219,912)	-	(193,062)	-
Total Deferred (Inflows)/Outflows	(94,986,366)	18,232,791	12,807,752	(1,365,279)	712,011	(771,093)	44,108

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
2019	1,333	-	(1,478,253)	560,209
2020	(314,872)	-	(2,579,123)	560,209
2021	(857,586)	-	(4,618,730)	259,376
2022	(224,640)	-	(1,796,762)	155,474
2023	-	-	(765,947)	155,474
Thereafter	-	-	(3,345,805)	689,310
Total Deferred (Inflows)/Outflows	(1,395,765)	-	(14,584,620)	2,380,051

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, 2018.

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 9.0% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 9.0 % of eligible compensation for a combined total of 18.0%. Effective December 16, 2018, the annual Contribution Rate was changed to a combined total of 18.50%. Member contributions are 9.25% of eligible compensation and the City contributes 9.25% 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 \$18.4 million in 2018 and \$16.2 million in 2017.

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 \$32.9 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

The City's actual contributions to LEOFF 2 were \$3.67 million for the year ended December 31, 2018.

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 2018, the state contributed \$68.2 million to LEOFF Plan 2. The amount recognized by the City for its proportionate share of this amount is \$2.3 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 2018.

The required contribution rates expressed as a percentage of current-year covered payroll as of December 31, 2018 are as follows:

Actual Contribution Rates	Employer	Employee
Employees' Retirement System ¹	9.00%	9.00%
Firefighters' Pension System	0.16%	0.00%
Police Pension System	0.16%	0.00%
LEOFF 1 ²	0.18%	0.00%
LEOFF 2 ²	5.43%	8.75%
¹ Effective December 18, 2018, SERS annual contribution rate was changed to 18.5% of payroll (9.25% paid by employee, 9.25% 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	2018	2017	2016	2015
Employees' Retirement System	9,187,420	8,113,319	7,586,362	7,398,945
Firefighters' Pension System ¹	2,827,071	2,179,136	2,137,287	2,314,579
Police Pension System ¹	487,803	637,580	766,915	707,300
LEOFF 1	-	-	-	-
LEOFF 2	3,667,460	3,382,581	3,237,717	3,169,951

¹Firefighters' and Police Pension System contributions have been restated for 2017.

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, 2016)	523,734,979	277,331,781	246,403,198	44,369,356	12,118,555	-
Changes for the year:						
Service Cost	13,133,393	-	13,133,393	-	-	13,133,393
Interest Cost	29,336,782	-	29,336,782	-	-	29,336,782
Benefit Changes	165,092	-	165,092	-	-	165,092
Experience loss (gain)	(3,830,239)	-	(3,830,239)	-	3,191,866	(638,373)
Change in Assumptions	(76,976,691)	-	(76,976,691)	-	64,147,242	(12,829,449)
Contributions-Employer	-	8,113,319	(8,113,319)	-	-	-
Contributions-Employee	-	8,113,319	(8,113,319)	-	-	(8,113,319)
Net Investment Income	-	43,085,572	(43,085,572)	-	-	-
Expected Return on Investments	-	-	-	-	-	(20,366,115)
Investment (gain) loss expensed	-	-	-	-	-	(4,543,891)
Investment (gain) loss deferred	-	-	-	-	18,175,566	-
Benefits paid, including refunds of employee contributions	(27,443,693)	(27,443,693)	-	-	-	-
Administrative Expense	-	(563,078)	563,078	-	-	563,078
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(13,255,889)	(2,423,711)	10,832,178
Net Changes	(65,615,356)	31,305,439	(96,920,795)	(13,255,889)	83,090,963	7,539,376
Balance, End of Year (Dec 31, 2017)	458,119,623	308,637,220	149,482,403	31,113,467	95,209,518	7,539,376
LESS (Public Facilities District)			(350,357)	(72,924)	(223,152)	(17,671)
Balance, End of Year (Dec 31, 2017) Net of PFD			149,132,046	31,040,543	94,986,366	7,521,705

	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, 2016)	17,642,583	16,263,049	1,379,534	669,891	1,594,352	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	684,842	-	684,842	-	-	684,842
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(1,114,154)	-	(1,114,154)	-	-	(1,114,154)
Change in Assumptions	1,637,202	-	1,637,202	-	-	1,637,202
Contributions-Employer	-	2,208,498	(2,208,498)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income	-	351,460	(351,460)	-	-	-
Expected Return on Investments	-	-	-	-	-	(673,036)
Investment (gain) loss expensed	-	-	-	-	-	64,315
Investment (gain) loss deferred	-	-	-	257,261	-	-
Benefits paid, including refunds of employee contributions	(1,053,418)	(1,053,418)	-	-	-	-
Administrative Expense	-	(29,362)	29,362	-	-	29,362
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(215,141)	(229,073)	(13,932)
Net Changes	154,472	1,477,178	(1,322,706)	42,120	(229,073)	614,599
Balance, End of Year (Dec 31, 2017)	17,797,055	17,740,227	56,828	712,011	1,365,279	614,599

	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, 2016)	7,666,992	763,352	6,903,640	36,523	886,699	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	222,541	-	222,541	-	-	222,541
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(1,349,629)	-	(1,349,629)	-	-	(1,349,629)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	667,111	(667,111)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income	-	104	(104)	-	-	-
Expected Return on Investments	-	-	-	-	-	(24,940)
Investment (gain) loss expensed	-	-	-	-	-	4,967
Investment (gain) loss deferred	-	-	-	19,869	-	-
Benefits paid, including refunds of employee contributions	(501,605)	(501,605)	-	-	-	-
Administrative Expense	-	(29,531)	29,531	-	-	29,531
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(12,284)	(115,606)	(103,322)
Net Changes	(1,628,693)	136,079	(1,764,772)	7,585	(115,606)	(1,220,852)
Balance, End of Year (Dec 31, 2017)	6,038,299	899,431	5,138,868	44,108	771,093	(1,220,852)

Note 6

Defined Benefit Other Post-Employment Benefit (OPEB) Plans

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.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018:

Aggregate OPEB Amounts – All Plans		
OPEB liabilities	\$	96,188,533
OPEB assets	\$	-
Deferred outflows of resources	\$	602,202
Deferred inflows of resources	\$	(438,472)
OPEB expense/expenditures	\$	(2,411,956)

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 respective 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, Premera (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 2018	
Union 270 - Clerical				
Union 270 - Labor				Group
Union 270 - Library			Premera	Health
Library Managerial		Retiree	\$ 750.50	\$ 565.76
Police Lieutenants and Captains		Retiree and Spouse	\$ 1,369.44	\$ 1,070.06
Police Guild				
Prosecutor's Association - SCPA				
Managerial & Professional "A" & "B"				
Mayor/Council				
Exempt Confidential				
Fire Managerial & Elected Officials				

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 completions 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 completions of 5 years of service, or age plus years of service equal or exceeds 80 points
2. LEOFF Employees	service, or the attainment of age 50 and completion of 20 years of service

At December 31, 2018, 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	209	-	1	210	1/1/2018
Police Pension System	159	-	1	160	1/1/2018
Total	368	-	2	370	

Plan	Active	Retiree	Surviving Spouse	Total Members	Membership as of the latest actuarial valuation
Retiree Medical Plan 2	1,704	39	3	1,746	1/1/2018

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, 2018 and December 31, 2017 for the plans are shown in the following tables.

Funded Status (in thousands)	Firefighters' OPEB	Police OPEB	Retiree Medical Plan 2
Actuarial valuation date	1/1/2018	1/1/2018	1/1/2018
Actuarial value of plan assets	\$ 13,818	\$ -	\$ -
Actuarial accrued liability (AAL)	49,789	50,427	9,790
Unfunded actuarial accrued liability (UAAL)	35,971	50,427	9,790
Funded ratio	27.75%	0.00%	0.00%
Actual contributions	2,880	2,518	262
Covered payroll	N/A	N/A	79,229
UAAL as a percentage of covered payroll	N/A	N/A	12.36%

Actuarial Determined Contribution

Firefighters' Pension System	2018	2017
A. Normal Cost		
1. Normal cost without expense load	\$ -	\$ -
2. Expense load, if any	-	-
3. Total normal cost: (1) = (2)	-	-
B. Amortization Amount		
1. Unfunded Liability		
a. Actuarial liability for recommended contribution	\$ 49,788,921	\$ 56,825,408
b. Value of plan assets for recommended contribution	13,817,774	13,966,102
c. Unfunded/(surplus) liability: (a)-(b)	35,971,147	42,859,306
2. Amortization period in years	19	20
3. Discount rate	3.00%	3.00%
4. Amortization amount	2,438,141	2,796,911
C. Recommended Contribution at Beginning of Plan Year: A(3) - B(4)	\$ 2,438,141	\$ 2,796,911
D. Interest Adjustment for Timing of Contribution		
1. Estimated contribution dated	12/31/2018	12/31/2017
2. Fractional year from beginning of plan year	1.00	1.00
3. Interest on contribution to end of the fiscal year	73,144	83,907
E. Recommended contribution at the end of the fiscal year: C + D(3)	2,511,285	2,880,818
F. Actuarial Funding Method	Entry Age Normal	Entry Age Normal

Police Pension System		2018	2017
A.	Normal Cost		
	1. Normal cost without expense load	\$ -	\$ 3,125
	2. Expense load, if any	-	-
	3. Total normal cost: (1) = (2)	-	3,125
B.	Amortization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 51,789,586	\$ 55,942,921
	b. Value of plan assets for recommended contribution	-	-
	c. Unfunded/(surplus) liability: (a)-(b)	51,789,586	55,942,921
	2. Amortization period in years	19	20
	3. Discount rate	3.00%	3.00%
	4. Amortization amount	3,510,322	3,650,721
C.	Recommended Contribution at Beginning of Plan Year: A(3) - B(4)	\$ 3,510,322	\$ 3,653,846
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2018	12/31/2017
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	105,310	109,615
E.	Recommended contribution at the end of the fiscal year: C + D(3)	3,615,632	3,763,461
F.	Actuarial Funding Method	Entry Age Normal	Entry Age Normal

	Retiree Medical Plan 2	2018	2017
A.	Normal Cost		
	1. Normal cost without expense load	\$ 715,217	\$ 518,369
	2. Expense load, if any	-	-
	3. Total normal cost: (1) = (2)	715,217	518,369
B.	Amortization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 9,790,066	\$ 7,661,362
	b. Value of plan assets for recommended contribution	-	-
	c. Unfunded/(surplus) liability: (a)-(b)	9,790,066	7,661,362
	2. Amortization period in years	30	30
	3. Discount rate	3.25%	3.75%
	4. Amortization amount	499,523	414,176
C.	Recommended Contribution at Beginning of Plan Year: A(3) - B(4)	\$ 1,214,740	\$ 932,545
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2018	12/31/2017
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	39,479	34,970
E.	Recommended contribution at the end of the fiscal year: C + D(3)	1,254,219	967,515
F.	Actuarial 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, 2017 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Firefighters' OPEB	Police OPEB	Retiree Medical Plan 2
Inflation	0.00% per year	0.00% per year	Not Applicable
Salary increases	0.00% per year	0.00% per year	Not Applicable
Investment rate of return	3.00% per year	N/A	Not Applicable
Discount Rate	3.00% per year	3.25% per year	3.25% per year
Healthcare cost trend rates	9.00% for 2018, decreasing each year to an ultimate rate of 4.5% for 2037 and later years.	9.00% for 2018, decreasing each year to an ultimate rate of 4.5% for 2037 and later years.	9.5% for 2018, decreasing 0.5% per year to an ultimate rate of 5.00% for 2027 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, 2018 valuation were based on the results of an actuarial experience study for the period that ended December 31, 2016.	The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period that ended December 31, 2016.	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.
Expected Rate of Return	The long-term expected rate of return on OPEB plan investments 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.	Since the plan is not currently funded, there is no long-term expected rate of return on plan investments for this valuation.	Since the plan is not currently funded, there are no long-term expected rate of return on plan investments is 0.0% for this valuation.
Discount Rate	The discount rate used to measure the total pension liability was 3.00%. the projection of cash flows used to determine the discount rate assumed that City's 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 plan is not currently funded, the discount rate is equal to the 20-year municipal bond rate in effect for the beginning of the plan year.	Since the plan is not currently funded, the discount rate is equal to the 20-year municipal bond rate in effect for the beginning of the plan year.

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%
Domestic 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, 2018 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, 2017)	56,825,408	13,966,102	42,859,306
Changes for the year:			
Service Cost	-	-	-
Interest on the total OPEB liability	1,659,545	-	1,659,545
Difference between expected and actual experience	5,303,077	-	5,303,077
Changes in plan provisions	-	-	-
Employer contributions	-	2,880,818	(2,880,818)
Changes in assumptions	(10,984,642)	-	(10,984,642)
Net Investment Income:	-	279,438	(279,438)
Benefits paid, including refunds of employee contributions	(3,014,467)	(3,014,467)	-
Administrative Expense	-	(294,117)	294,117
Other Changes	-	-	-
Net Changes	(7,036,487)	(148,328)	(6,888,159)
Balance, End of Year (Dec 31, 2018)	49,788,921	13,817,774	35,971,147

	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, 2017)	52,867,571	-	52,867,571
Changes for the year:			
Service Cost	2,352	-	2,352
Interest on the total OPEB liability	1,939,973	-	1,939,973
Difference between expected and actual experience	3,104,252	-	3,104,252
Changes in plan provisions	-	-	-
Employer contributions	-	2,518,563	(2,518,563)
Changes in assumptions	(5,212,240)	-	(5,212,240)
Net Investment Income:	-	104	(104)
Benefits paid, including refunds of employee contributions	(2,274,588)	(2,274,588)	-
Administrative Expense	-	(244,079)	244,079
Other Changes	-	-	-
Net Changes	(2,440,251)	-	(2,440,251)
Balance, End of Year (Dec 31, 2018)	50,427,320	-	50,427,320

Changes in the Total OPEB Liability

Changes in the City's Retiree Medical Plan 2 Total OPEB Liability as of December 31, 2018 are shown in the following table:

	Increase (Decrease)
	(a)
Retiree Medical Plan 2 Other Post Employment Benefit Plan	Total OPEB Liability
Balance, Beginning of Year (Dec 31, 2017)	7,661,362
Changes for the year:	
Service Cost	518,369
Interest on the total OPEB liability	301,836
Difference between expected and actual experience	(182,268)
Changes in benefit terms	1,306,207
Employer contributions	-
Changes in assumptions	446,102
Net Investment Income:	-
Benefits paid, including refunds of employee contributions	(261,542)
Administrative Expense	-
Other Changes	-
Net Changes	2,128,704
Balance, End of Year (Dec 31, 2018)	9,790,066

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'	41,449,679	35,971,147	31,330,055	3.00%
Police	56,248,226	50,427,320	45,508,880	3.25%

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	10,746,817	9,790,066	8,918,940	3.25%

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'	31,695,104	35,971,147	40,860,536	9.0% Decreasing to 4.5%
Police	45,874,511	50,427,320	55,653,090	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	8,641,586	9,790,066	11,145,660	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, 2018, the City recognized OPEB expense reduction of \$2,440,251 for Police, \$6,949,465 for Firefighters', an increase in OPEB expense of \$965,531 for the Retiree Medical 2 Plan for a total OPEB expense reduction of \$8,422,185. At December 31, 2018, 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 Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences Between Expected and Actual Experience	-	-	-	-
Change of Assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	205,068	-	-	-
Total	205,068	-	-	-

	Retiree Medical Plan 2	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences Between Expected and Actual Experience	-	(296,638)
Change of Assumptions	397,134	(141,834)
Net difference between projected and actual earnings on pension plan investments	-	-
Total	397,134	(438,472)

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	Outflows	(Inflows)	Outflows	(Inflows)
2019	60,251	-	-	-
2020	60,251	-	-	-
2021	60,251	-	-	-
2022	24,315	-	-	-
2023	-	-	-	-
Thereafter	-	-	-	-

	Retiree Medical Plan 2	
Recognition Period (Years)	9.11	9.1
Year	Outflows	(Inflows)
2019	48,968	(58,910)
2020	48,968	(58,910)
2021	48,968	(58,910)
2022	48,968	(58,910)
2023	48,968	(58,910)
Thereafter	152,292	(143,919)
Total Deferred (Inflows)/Outflows	397,134	(438,472)

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, 2018 and 2017 are as follows:

Fund		2018		2017
Risk Management	\$	9,385,900	\$	7,091,993
Workers' Compensation		629,640		(435,548)
Unemployment Insurance		1,130,066		1,143,564
Employee Benefits		16,037,704		16,372,023
	\$	27,183,310	\$	24,172,032

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, in 2017, one general liability claim exceeded the SIR, and in 2018 one incident involving two workers' compensation claims exceeded the SIR.

Policy Type	Deductible	Coverage Limits	Description
Excess Workers' Compensation & Employer's Liability - All Employees	\$ 1,250,000	Statutory Limit	Protects the city from unanticipated levels of workers' compensation
Boiler & Machinery	25,000	200,000,000	Protects the city from loss due to damage to buildings and contents from boilers and machinery
Property (Wastewater Treatment Facility)	1,000,000	322,500,000	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)	250,000	258,290,592	Protects the city from loss by fire and other extended coverages
Property (Other than WWTP, Dam & WTE)	1,000,000	150,000,000	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	23,120,560	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 2018, 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 \$6.1 million and the Workers' Compensation fund totaled \$8.9 million. The Employee Benefits fund reported IBNR (incurred but not reported) claims of \$2.1 million for 2018. 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, 2017 to December 31, 2018 are shown in the following table:

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	6,528	9,047	2,029
Claims Liability (in thousands)	General Liability	Workers' Compensation	Health Benefits
Unpaid Claims, January 01, 2018	6,528	9,047	2,029
Incurred Claims	721	1,799	26,200
Adjustments for prior claims	748	1,078	2,029
Claim Payments	(1,935)	(3,050)	(28,152)
Unpaid Claims, December 31, 2018	6,062	8,874	2,106

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, 2018, the City had no LID progress warrants outstanding.

Progress Warrants	2018
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.

On December 20, 2018 issued \$73.6 million of unlimited tax obligation bonds with an average interest rate of 3.2 percent were issued to finance voter-approved improvements to and expansion of the Spokane Public Library facilities.

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, 2018 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	26,830,000
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	12,667,761
UTGO 2017 Refunding	Refund UTGO 2008 Parks/Aquatics	4.00%-5.00%	30,000,000	25,030,000	22,810,000
UTGO 2018	Finance improvements to and expansion of the Spokane Public Library facilities	3.125%-5.00%	77,000,000	73,605,000	73,605,000
Total general obligation bonds				\$ 268,247,449	\$ 244,287,761

At December 31, 2018, the City has \$8.96 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
2019	6,441,888	9,806,443	16,248,331
2020	6,732,027	9,679,466	16,411,493
2021	7,290,191	9,377,756	16,667,947
2022	5,088,458	9,045,371	14,133,829
2023	5,694,179	8,816,089	14,510,268
2024-2028	57,101,018	38,496,586	95,597,604
2029-2033	89,055,000	22,707,388	111,762,388
2034-2038	37,750,000	8,747,985	46,497,985
2039-2043	29,135,000	3,442,506	32,577,506
Total	\$ 244,287,761	\$ 120,119,591	\$ 364,407,352

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.

During the year there were no refunding of prior issued 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%	\$ 515,222
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%	61,673,417
State Revolving Loans	Various Water/Wastewater System improvements	1.50% - 2.90%	5,934,554
Total government and other loans			\$ 68,323,192

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

Business-Type Activities			
Year	Principal	Interest	Total
2019	2,690,297	924,236	3,614,534
2020	3,518,318	1,372,732	4,891,050
2021	3,613,442	1,324,396	4,937,838
2022	3,677,547	1,254,611	4,932,158
2023	3,627,929	1,183,237	4,811,166
2024-2028	17,735,580	4,818,841	22,554,420
2029-2033	17,665,801	2,881,048	20,546,849
2034-2038	12,998,578	953,193	13,951,771
2039-2042	2,080,479	50,529	2,131,007
Total	\$ 67,607,971	\$ 14,762,823	\$ 82,370,794

Governmental Activities			
Year	Principal	Interest	Total
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	58,824	588	59,412
2024-2028	58,824	294	59,118
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	200,000	-	200,000
Total	\$ 715,222	\$ 7,798	\$ 723,020

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, 2018, the amount of CLID Special Assessment delinquency equals \$181,600.

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
CLID 216	Street/alley improvements	4.60%	5,000
Total special assessment bonds			\$ 5,000

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 \$216,806,248. Principal and interest paid for the current year and total customer net revenues were \$13,551,778 and \$13,551,778, 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%	\$ 156,935,000
Total revenue bonds			\$ 156,935,000

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

Business-Type Activities			
Year	Principal	Interest	Total
2019	6,855,000	6,695,278	13,550,278
2020	7,200,000	6,352,527	13,552,527
2021	7,555,000	5,992,528	13,547,528
2022	7,935,000	5,614,777	13,549,777
2023	8,330,000	5,218,028	13,548,028
2024-2028	47,765,000	19,988,235	67,753,235
2029-2033	58,235,000	9,520,125	67,755,125
2034	13,060,000	489,750	13,549,750
Total	\$ 156,935,000	\$ 59,871,248	\$ 216,806,248

B. Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

Long-Term Liabilities	Outstanding 12/31/17	Additions	Reductions	Outstanding 12/31/18	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	176,407,692	73,605,000	(5,724,931)	244,287,761	6,441,888
Deferred amounts:					
Bond premiums at issuance	5,451,917	4,133,475	-	9,585,391	14,570
Bond premiums on refunding	5,828,613	-	(136,265)	5,692,349	206,855
Special assessment debt with governmental commitment	115,000	-	(110,000)	5,000	5,000
Government loans	828,139	-	(112,917)	715,222	112,917
Revitalization Areas ¹	3,291,429	-	(238,559)	3,052,870	239,561
Claims and judgments	17,604,099	-	(561,816)	17,042,283	17,042,283
Pollution Remediation Liability ²	1,620,000			1,620,000	
OPEB liability ³	101,038,395	1,458,275	(9,328,410)	93,168,260	-
Net pension liability	153,856,099	-	(60,351,799)	93,504,300	-
Compensated absences	16,017,867	804,851	(131,224)	16,691,494	1,520,063
Total long term liabilities - governmental activities	482,059,250	80,001,601	(76,695,922)	485,364,930	25,583,137
	-				
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	163,465,000	-	(6,530,000)	156,935,000	6,855,000
Deferred amounts:					
Bond premiums at issuance	18,120,071	-	(1,012,608)	17,107,463	1,376,352
Bond premiums on refunding	-	-	-	-	-
Total bonds payable	181,585,071	-	(7,542,608)	174,042,463	8,231,352
Government loans	65,226,384	6,789,959	(4,408,372)	67,607,971	2,690,296
Net pension liability	100,228,763	-	(39,405,321)	60,823,442	-
Total OPEB liability ¹	2,349,844	670,429	-	3,020,273	
Landfill liabilities:					
Landfill closure	1,845,784	154,688		2,000,472	-
Post closure monitoring	10,359,859	1,471,651		11,831,510	-
Capital lease payable	243,268		(85,891)	157,377	88,945
Compensated absences	5,521,593	378,704	(53,426)	5,846,871	331,566
Total long term liabilities - business-type activities	367,360,566	9,465,431	(51,495,618)	325,330,379	11,342,160
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 \$17.0 million
Net pension liability \$17.6 million
Compensated absences \$1.8 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 2018 is \$17,858 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%	\$ 206,375,076
Utility voted debt - 2.5%	201,635,449
Open space and park facilities voted debt - 2.5%	446,438,431
Total remaining debt capacity	\$ 854,448,956

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 exercised its option to renew the lease for five-year periods subject to certain conditions extending it to April 20, 2023. Lease payments for the year ended December 31, 2018 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, 2018 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, 2018 were approximately \$324,996.

Future Years Operating Lease Payments	Total
2019	328,886
2020	330,452
2021	335,692
2022	341,090
2023	142,784
Total minimum future rental payments	\$ 1,478,902

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, 2018 were \$85,891.

The capital lease debt outstanding at December 31, 2018 is \$157,377. The annual debt service requirements are as follows:

Business-Type Activities			
Year	Principal	Interest	Total
2019	88,945	4,224	93,169
2020	45,222	1,470	46,692
2021	23,210	136	23,346
2022	-	-	-
Total	\$ 157,377	\$ 5,830	\$ 163,207

Accumulated depreciation related to the above assets is \$ 203,522.

Note 10

Interfund Balances 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, 2018 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	7,953,360	1,396,865
Arterial Streets	773,309	194,646
Water/Sewer Fund	444,886	8,034,357
Solid Waste Fund	47,731	1,742,100
Non-major Governmental Funds	3,803,722	3,225,337
Non-major Enterprise Funds	419,353	250,802
Internal Service Funds	3,058,327	1,656,581
Total Government Wide	16,500,688	16,500,688

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, 2018 are as follows:

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool¹
Riverfront Conservation Area	868,767
Gardner Building	1,201,699
Alki Building	1,857,181
University District Gateway	3,063,556
West Plains Fire Station	642,382
Public Safety Capital	17,488,542
Library RFID	314,910
Nelson Service Center	3,618,617
Engineering	178,400
Golf Courses	2,500,000
Strategic Investments	1,493,675
Bond Refunding ²	4,275,015

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool ¹
CLID 217	-
CLID 219	96,275
CLID 221	96,010
CLID 222	264,621
CLID 223	424,337
CLID 224A	224,155
Total	38,608,142

Loan To:	Loan From:
Golf Fund	Spokane Investment Pool ¹
Bond Refunding ²	367,571

¹The 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 capital expenditures for public purposes.

²LTGO 2005A refunded via Ordinance C35430 approved by City Council on 08/29/16

Loan To (Various):	Loan From (General Fund) ¹ :
Misc. Grants Fund	88,073
Human Services Grant Fund	972,928
Public Safety & Judicial Grant Fund	4,316
Community Development/Human Services Operations Fund ²	600,000
Community Development Block Grant Fund	589,436
HOME Program Fund	94,839
Total	2,349,592

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, 2018 are as follows:

Transfer From: Fund	Transfer To:							Total
	General Fund	Arterial Street	Non-major Governmental Funds	Water/Sewer Fund	Solid Waste Fund	Non-major Enterprise Funds	Internal Service Funds	
General Fund	-	9,280,000	16,447,952	-	-	-	6,542,749	32,270,701
Arterial Streets	-	-	6,501,556	-	-	-	500,000	7,001,556
Water/Sewer Fund	-	5,790,500	423,536	-	-	-	-	6,214,036
Solid Waste Fund	-	-	700,000	-	-	-	-	700,000
Non-major Governmental Funds	810,265	14,453,600	2,792,073	25,000	-	-	1,640,252	19,721,190
Non-major Enterprise Funds	-	-	50,000	-	-	-	8,970	58,970
Internal Service Funds	91,349	3,244,075	-	-	-	-	585,797	3,921,221
Total	901,614	32,768,175	26,915,117	25,000	-	-	9,277,768	69,887,674

The General Fund transfers were provided to various governmental funds to support day-to-day operations. Arterial Streets Fund transfers were provided for street maintenance, capital projects and debt service. 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. Transfers from Asset Management to General fund were for capital assets contributed and are a one-sided entry adjusted for in the Government wide statements.

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 2018, \$43,600 was paid to the Spokane Regional Transportation Council. General fund monies are contributed to support the West Plains Public Development Authority. In 2018, \$120,000 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, 2018 for the Spokane International Airport.

Spokane International Airport	2018
Total Assets	\$ 341,128,500
Total Deferred Outflow of Resources	1,450,134
Total Liabilities	(22,828,240)
Total Deferred Inflow of Resources	(2,657,409)
Total Net Position	\$ 317,092,985
Total Revenues	\$ 40,202,868
Total Capital Contributions	14,866,934
Total Expenses	(50,127,186)
Total Nonoperating Revenue & Exepenses	12,543,658
Net Increase in Net Position	\$ 17,486,274
Net Position, Beginning of Year	\$ 299,606,711
Net Increase in Net Position	17,486,274
Net Position, End of Year	\$ 317,092,985

At December 31, 2018, the airport had other long-term debts payable totaling \$5,042,888.

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, 2018 the Spokane Regional Transportation Council had no long-term debt outstanding

The unaudited summary for the fiscal year ended December 31, 2018 is presented below.

Spokane Regional Transportation Council	2018
Total Assets	\$ 485,393
Total Liabilities	(485,393)
Total Net Position	\$ -
Total Revenues	\$ 1,575,706
Total Expenses	(1,513,352)
Net Decrease in Net Position	\$ 62,354

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 decisions. 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.

The unaudited summary for the fiscal year ended December 31, 2018 is presented below.

West Plains Airport Area Public Development Authority		2018
Total Assets	\$	323,933
Total Liabilities		-
Total Net Position	\$	323,933
Total Revenues	\$	459,679
Total Expenses		(135,745)
Net Decrease in Net Position	\$	323,934

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 ten 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 \$1,327,340 with the State of Washington which represents the full present value of the pensions as of June 30, 2018. 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 2018, the City paid a deficit in the amount of \$60,106 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, 2018. 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 12/31/18
2013 Downtown Pedestrian Improvements	1,682,712	471,443	1,211,269
2015 Neighborhood Traffic Calming (Cycle 5) District 1	138,172	91,734	46,438
2015 Neighborhood Traffic Calming (Cycle 5) District 3	332,533	277,312	55,221
2016 Neighborhood Traffic Calming Projects (Cycle 6) District 1	20,245	5,265	14,980
2016 Neighborhood Traffic Calming Projects (Cycle 6) District 2	266,510	91,843	174,667
2016 Neighborhood Traffic Calming Projects (Cycle 6) District 3	104,084	34,234	69,850
2016 School Radar TC Projects (Cycle 6) District 1	60,968	19,895	41,073
2016 School Radar TC Projects (Cycle 6) District 3	315,739	88,074	227,665
2016 TBD Sidewalk - Hartson Avenue, Regal Street to Thor Street	44,822	44,499	323
2017 ADA Curb Ramps	292,189	231,032	61,157
2017 Residential Chip Seal	1,588,889	1,325,644	263,245
2018 Residential Chip Seal	1,001,264	859,062	142,202
2018 Residential Grind and Overlay North	2,568,500	2,077,168	491,332
2018 Residential Grind and Overlay South	2,003,651	1,076,795	926,856
Barnes Road from Phoebe Street to Strong Road	2,027,425	1,743,530	283,895
CDA Park entrances	246,433	225,291	21,142
Centennial Trail; Mission Avenue Gap Phase I	564,724	417,810	146,914
Central Avenue Well #2 Rehabilitation	1,352,630	1,131,701	220,929
City Hall Exterior Restoration	965,184	418,197	546,987
CSO 14 & 15	3,744,204	3,418,552	325,652
CSO 33-1 Control Facility	11,899,174	11,517,545	381,629
CSO 34-1	11,939,124	7,690,969	4,248,155
CSO Basin 23 Control Facility	1,469,823	1,135,498	334,325
CSO Basin 24-25 Preliminary Design	23,856,234	22,886,356	969,878
CSO Basin 25 Improvement	2,268,394	1,901,848	366,546
CSO Basin 25 Improvement - Phase 1 (Reference 2015178)	2,003,302	1,956,458	46,844
CSO Basin 26 Control Facility	36,683,423	24,390,210	12,293,213
CSO Basin 41 Control Facility	2,088,816	1,768,441	320,375
Don Kardong Bridge	74,500	54,778	19,722
Driscoll Boulevard and Arthur Street Sidewalk(TBD)	385,896	258,875	127,021
Dutch Jake's Park	57,934	36,744	21,190
East Central Stormwater Projects	3,112,303	1,539,355	1,572,948
Emergency Bypass for Clarke Ave Lift Station	114,455	112,279	2,176
Esmeralda Golf Course Irrigation Redesign	26,900	5,302	21,598
Falls Ave - Lower Crossing to Elm	203,036	172,526	30,510
Fire Station Roof Repairs	113,345	107,490	5,855
Five Mile Booster Station	38,700	15,060	23,640
Glover Field Boat Ramp A&E Services for Design and CM	398,488	164,044	234,444
Greene Street and Ermina Avenue Intersection Signalization Design	322,363	279,200	43,163
Havana Wellsite	1,884,369	1,295,851	588,518
High Drive Sewer Line Replacement - 29th Avenue to 21st Avenue	2,653,200	2,172,360	480,840
HVAC System Upgrade - RPWRF	53,366	11,720	41,646
Indian Canyon Golf Course Irrigation Redesign	2,196,030	1,409,066	786,964
Indian Canyon Golf Course Tree Work	52,306	2,883	49,423
Interceptor I-03	7,998,246	7,517,202	481,044
Interceptor I-04	6,509,289	5,852,489	656,800
Interceptor I-07 (Near Napa Street/Riverside Avenue Intersection)	4,772,261	4,411,518	360,743
Latah Hangman Trail Corridor	15,000	11,898	3,102
Lincoln Street/Monroe Street from Second Avenue to Main Avenue	3,717,908	3,536,563	181,345
Manito Park Mirror Pond renovation	68,370	10,690	57,680
Monroe Street I - Indiana Avenue to Grace Avenue	4,735,170	4,095,349	639,821
Monroe Street II - Grace Avenue to Kiernan Avenue	4,954,839	4,417,538	537,301
Monroe Street/Lincoln Street Couplet from 4th Avenue to Main Avenue Phase I	6,202,250	5,926,145	276,105
NLT - Silo Digester No. 3	13,531,737	12,827,036	704,701
Portable Lime System Installation - WTE	154,159	137,478	16,681

POST ST & BRIDGE AVE CONNECTIO	166,121	-	166,121
Post Street Pedestrian and Utility Bridge Replacement	1,934,000	1,660,926	273,074
Regal - Bemiss - Shaw Pedestrian Safety Improvements	645,300	642,240	3,060
Remodel of Spokane Central Service Center Gym	14,757	-	14,757
Renovation of the EDU Range - Police	70,000	-	70,000
Replacement of Refuse Cranes - WIE	4,477,845	1,270,233	3,207,612
Resurface Tennis Courts - Comstock Park	46,016	41,786	4,230
RFP arborist services	396,563	327,970	68,593
RFP Bond Project Management services	1,053,317	1,023,700	29,617
RFP geotechnical engineering, park-wide	419,821	331,340	88,481
RFP North Bank design	718,400	131,668	586,732
RFP Park-wide inspections	123,559	99,186	24,373
RFP Park-wide Permitting	270,000	245,087	24,913
RFP Promenade	21,120	-	21,120
RFP Public Spaces Design	2,299,857	2,122,325	177,532
Ridgeview Elementary Sidewalk	1,117,651	1,111,209	6,442
Riverfront Park - SkyRide	115,257	59,225	56,032
Riverside Drive Phase II and III - Sherman St to Perry St	3,559,087	3,257,402	301,685
Riverside Drive Phase IIB	4,363,847	3,639,458	724,389
Rochester Heights	63,872	60,260	3,612
RPWRF Package A Upgrades	19,902,966	19,626,043	276,923
SE Sports Complex	125,655	100,583	25,072
Sharp Avenue Stormwater Improvements	3,625,349	2,839,186	786,163
South Crestline Street Swale Reconstruction	115,000	109,715	5,285
South Gorge Trail Completion	9,750	1,989	7,761
Spokane Gorge Restoration Project	43,000	20,945	22,055
SPOKANE Pavilion Design Build Project	24,920,154	9,910,494	15,009,660
Spokane Street Preservation - North	2,664,664	-	2,664,664
Sprague Avenue and Sherman Avenue Pedestrian-Bike Bridge Plaza Improvements	840,900	377,204	463,696
Sprague Avenue Rebuild Phase I	8,449,714	8,143,648	306,066
Spray Dryer Absorber (SDA) Penthouse Floor Replacement - WIE	110,000	84,960	25,040
Storm Water District #3	16,246	15,218	1,028
Sunset Boulevard from Royal Street to Lindeke Street	4,704,355	3,454,978	1,249,377
University District - Pedestrian Overpass	12,379,096	10,161,954	2,217,142
Upriver Dam - Powerhouse #1 Kaplan Generator	892,584	317,584	575,000
WIE - Lime Slurry Tank Replacement	157,033	77,792	79,241
WW Next Level of Treatment Program	95,764,156	88,011,848	7,752,308
Total Construction Commitments	\$ 372,472,600	\$ 302,956,001	\$ 69,516,599

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%	12/31/2032
OPR 2015-0038	Kendall Yards Tendered Improvements Commercial Addition	1,446,910	0.1443%	12/31/2032
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 \$13.8 million reported as landfill postclosure care liability at December 31, 2018 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 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has restricted \$5.4 million in assets related to the post-closure monitoring of the closed portion of the Northside landfill, and \$5.8 million for post-closure monitoring of the open portion of the Northside landfill. No assets have been restricted for future costs of \$.6 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	\$ 5,421,566	\$ -	\$ 5,421,566
Accrued post closure costs	5,841,734	568,210	6,409,944
Accrued closure liability	2,000,472	-	2,000,472
Total	\$ 13,263,772	\$ 568,210	\$ 13,831,982

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 \$2 million reported as landfill closure liability at December 31, 2018 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 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of December 31, 2018, the City held \$2 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 (REC), 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

On 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 Brownfields 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 which was zero for 2017 and 2018.

Note 13

Prior Period Adjustments

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

Prior Period Adjustment	
Governmental Activities	\$ 2,708,178
Business-Type Activities	22,727
Total	2,730,905

Governmental Funds	
General Fund	\$ 1,547,948
Arterial Street Fund	724,399
Internal Service Funds	(414,764)
Total	1,857,583

Governmental Funds	
OPEB Correction ¹	
General Fund OPEB Liability	772,445
General Fund OPEB Deferred Items	78,150
Total	\$ 850,595

¹Because OPEB Liability and Deferred items 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

\$1,547,948 increase due to utility tax audits resulting in tax recovery.

\$724,399 increase due to reclassification of restricted net position due to impact fees.

\$ 850,595 increase due to OPEB items shifting from Government Wide adjustments to ISF and Enterprise funds.

\$ 668,464 reduction due to prior year OPEB related items shifting to ISF.

\$ 253,700 increase due to correction of prior year capital assets.

Business-Type Activities	
Water/Sewer Fund	\$ 44,006
Solid Waste Fund	(16,192)
Other Enterprise Funds	(5,087)
Total	\$ 22,727

Business-Type Activities

\$ 25,834 decrease was due to a correction of prior year accruals OPEB liability and related deferred items.

\$ 227,829 decrease was due to adding accrued interest to long term debt

\$276,390 increase due to prior year calculation error in capital assets.

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, 2018.

Note 15

Subsequent Events

There are no subsequent events for the fiscal year ending December 31, 2018.

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 2018 fiscal year was \$2,302,073.20.
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 two programs in the 2018 fiscal year (1) Multi-unit urban housing (2) High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities that are granted by the Washington State Department of Revenue. The amount of tax benefit received by the taxpayers for the calendar year 2018 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 High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Applicant" means a person applying for a tax deferral under this chapter.

(2) "Department" means the department of revenue.

(3) "Eligible area" means:

(a) Through June 30, 2010, a rural county as defined in RCW 82.14.370; and

(b) Beginning July 1, 2010, a qualifying county.

(4)(a) "Eligible investment project" means an investment project that is located, as of the date the application required by RCW 82.60.030 is received by the department, in an eligible area as defined in subsection (3) of this section.

(b) "Eligible investment project" does not include any portion of an investment project undertaken by a light and power business as defined in RCW 82.16.010(4), other than that portion of a cogeneration project that is used to generate power for consumption within the manufacturing site of which the cogeneration project is an integral part, or investment projects that have already received deferrals under this chapter.

(5) "Initiation of construction" has the same meaning as in RCW 82.63.010.

(6) "Investment project" means an investment in qualified buildings or qualified machinery and equipment, including labor and services rendered in the planning, installation, and construction of the project.

(7) "Manufacturing" means the same as defined in RCW 82.04.120. "Manufacturing" also includes:

(a) Before July 1, 2010: (i) Computer programming, the production of computer software, and other computer-related services, but only when the computer programming, production of computer software, or other computer-related services are performed by a manufacturer as defined in RCW 82.04.110 and contribute to the production of a new, different, or useful substance or article of tangible personal property for sale; (ii) the activities performed by research and development laboratories and commercial testing laboratories; and (iii) the conditioning of vegetable seeds; and

(b) Beginning July 1, 2010: (i) The activities performed by research and development laboratories and commercial testing laboratories; and (ii) the conditioning of vegetable seeds.

(8) "Person" has the meaning given in RCW 82.04.030.

(9) "Qualified buildings" means construction of new structures, and expansion or renovation of existing structures for the purpose of increasing floor space or production capacity used for manufacturing or research and development activities, including plant offices and warehouses or other facilities for the storage of raw material or finished goods if such facilities are an essential or an integral part of a factory, mill, plant, or laboratory used for manufacturing or research and development. If a building is used partly for manufacturing or research and development and partly for other purposes, the applicable tax deferral must be determined by apportionment of the costs of construction under rules adopted by the department.

(10) "Qualified employment position" means a permanent full-time employee employed in the eligible investment project during the entire tax year. The term "entire tax year" means a full-time position that is filled for a period of twelve consecutive months. The term "full-time" means at least thirty-five hours a week, four hundred fifty-five hours a quarter, or one thousand eight hundred twenty hours a year.

(11) "Qualified machinery and equipment" means all new industrial and research fixtures, equipment, and support facilities that are an integral and necessary part of a manufacturing or research and development operation. "Qualified machinery and equipment" includes: Computers; software; data processing equipment; laboratory equipment; manufacturing components such as belts, pulleys, shafts, and moving parts; molds, tools, and dies; operating structures; and all equipment used to control or operate the machinery.

(12) "Qualifying county" means a county that has an unemployment rate, as determined by the employment security department, which is at least twenty percent above the state average for the three calendar years immediately preceding the year in which the list of qualifying counties is established or updated, as the case may be, as provided in RCW 82.60.120.

(13) "Recipient" means a person receiving a tax deferral under this chapter.

(14) "Research and development" means the development, refinement, testing, marketing, and commercialization of a product, service, or process before commercial sales have begun, but only when such activities are intended to ultimately result in the production of a new, different, or useful substance or article of tangible personal property for sale. As used in this subsection, "commercial sales" excludes sales of prototypes or sales for market testing if the total gross receipts from such sales of the product, service, or process do not exceed one million dollars.

Information relevant to disclosure of those programs for the fiscal year ended December 31, 2018 is:

Tax Abatement Program State Imposed	Amount of Taxes Abated during the Fiscal Year 2018
Multi-unit urban housing	\$ 264,274
High Unemployment County Sales & Use Tax Deferral for	126,095
Total	\$ 390,369

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues				
Taxes	\$ 162,383,469	\$ 162,383,469	\$ 163,991,450	\$ 1,607,981
Licenses and permits	7,322,000	7,322,000	7,015,148	(306,852)
Intergovernmental	9,402,852	9,446,846	8,564,165	(882,681)
Charges for services	16,898,340	17,539,966	21,238,944	3,698,978
Fines and forfeitures	3,052,670	3,052,670	2,707,721	(344,949)
Miscellaneous	7,241,058	7,476,464	8,717,359	1,240,895
Net inc(dec) in market value of investments	-	-	(3,395,853)	(3,395,853)
Total revenues	206,300,389	207,221,415	208,838,934	1,617,519
EXPENDITURES				
General government	32,704,766	34,045,217	33,037,079	1,008,138
Public safety	115,403,830	116,545,329	117,110,880	(565,551)
Transportation	6,945,578	6,944,896	6,734,266	210,630
Economic environment	6,508,358	6,674,065	4,829,039	1,845,026
Social services	2,078,530	3,879,894	1,943,320	1,936,574
Culture and recreation	9,166,488	10,325,416	9,143,132	1,182,284
Capital outlays	1,376,032	1,877,376	1,728,595	148,781
Total expenditures	174,183,582	180,292,193	174,526,311	5,765,882
Excess (deficiency) of revenues over expenditures	32,116,807	26,929,222	34,312,623	7,383,401
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	95,538	95,538
Transfers in	49,948,095	50,450,495	810,265	(49,640,230)
Transfers out	(81,949,150)	(82,338,182)	(32,270,701)	50,067,481
Total other financing sources (uses)	(32,001,055)	(31,887,687)	(31,364,898)	522,789
Net change in fund balance	115,752	(4,958,465)	2,947,725	7,906,190
Fund balance - beginning	41,073,772	41,073,772	51,023,158	9,949,386
Prior Period Adjustment	-	-	1,547,948	1,547,948
Fund balance - ending	\$ 41,189,524	\$ 36,115,307	\$ 55,518,831	\$ 19,403,524

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios SERS as of Measurement Date 12/31/2017

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 13,133,393	\$ 12,896,547	\$ 12,384,960	\$ 11,405,611
Interest	29,336,782	27,443,176	26,359,257	25,718,424
Changes of benefit terms	165,092	-	-	86,298
Differences between expected and actual experience	(3,830,239)	12,381,445	6,483,011	18,507,784
Changes of assumptions	(76,976,691)	(14,542,266)	-	-
Benefit payments, including refunds of member contributions	(27,443,693)	(26,467,256)	(24,597,020)	(22,884,026)
Net change in total pension liability	<u>(65,615,356)</u>	<u>11,711,646</u>	<u>20,630,208</u>	<u>32,834,091</u>
Total pension liability—beginning	<u>523,734,979</u>	<u>512,023,333</u>	<u>491,393,125</u>	<u>458,559,034</u>
Total pension liability—ending (a)	<u>\$ 458,119,623</u>	<u>\$ 523,734,979</u>	<u>\$ 512,023,333</u>	<u>\$ 491,393,125</u>
Plan fiduciary net position				
Contributions—employer	\$ 8,113,319	\$ 7,586,362	\$ 7,398,945	\$ 6,822,279
Contributions—member	8,113,319	7,586,362	7,402,905	6,822,279
Net investment income	43,085,572	16,802,274	(3,228,439)	14,497,901
Benefit payments, including refunds of member contributions	(27,443,693)	(26,467,256)	(24,597,020)	(22,884,026)
Administrative expense	(563,078)	(477,252)	(447,921)	(386,713)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>31,305,439</u>	<u>5,030,490</u>	<u>(13,471,530)</u>	<u>4,871,720</u>
Plan fiduciary net position—beginning	<u>277,331,781</u>	<u>272,301,291</u>	<u>285,772,821</u>	<u>280,901,101</u>
Plan fiduciary net position—ending (b)	<u>\$ 308,637,220</u>	<u>\$ 277,331,781</u>	<u>\$ 272,301,291</u>	<u>\$ 285,772,821</u>
Plan's net pension liability—ending (a) - (b)	<u>\$ 149,482,403</u>	<u>\$ 246,403,198</u>	<u>\$ 239,722,042</u>	<u>\$ 205,620,304</u>
Less (Public Facilities District)	(350,357)	(601,330)	(600,946)	(474,484)
Plan's net pension liability—Net of the PFD	<u>\$ 149,132,046</u>	<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	67.42%	53.01%	53.24%	58.21%
Pensionable covered payroll	\$ 102,844,614	\$ 102,378,550	\$ 93,899,096	\$ 89,034,522
Plan's net pension liability as a percentage of covered payroll	145.35%	240.68%	255.30%	230.94%

*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 16, 2018, the annual Contribution Rate was changed to 18.50% of payroll (9.25% of pay paid by the Employee, 9.25% of pay paid by the Employer). Previously the Contribution Rate was 18.00% of payroll (9.00% of pay paid by the employee, 9.00% paid by employer from December 17, 2017 and 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 12/31/2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	684,842	815,109	831,429	938,119
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,114,154)	(2,959,170)	-	(2,281,571)
Changes of assumptions	1,637,202	-	-	-
Benefit payments, including refunds of member contributions	<u>(1,053,418)</u>	<u>(1,170,685)</u>	<u>(1,306,840)</u>	<u>(1,340,440)</u>
Net change in total pension liability	154,472	(3,314,746)	(475,411)	(2,683,892)
Total pension liability—beginning	<u>17,642,583</u>	<u>20,957,329</u>	<u>21,432,740</u>	<u>24,116,632</u>
Total pension liability—ending (a)	<u>\$ 17,797,055</u>	<u>\$ 17,642,583</u>	<u>\$ 20,957,329</u>	<u>\$ 21,432,740</u>
Plan fiduciary net position				
Contributions—employer	\$ 2,208,498	\$ 2,152,769	\$ 2,345,156	\$ 1,529,654
Contributions—member	-	-	-	-
Net investment income	351,460	252,368	116,370	295,093
Benefit payments, including refunds of member contributions	(1,053,418)	(1,170,685)	(1,306,840)	(1,340,440)
Administrative expense	(29,362)	(15,482)	(30,577)	(13,889)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>1,477,178</u>	<u>1,218,970</u>	<u>1,124,109</u>	<u>470,418</u>
Plan fiduciary net position—beginning	<u>16,263,049</u>	<u>15,044,079</u>	<u>13,919,970</u>	<u>13,449,552</u>
Plan fiduciary net position—ending (b)	<u>\$ 17,740,227</u>	<u>\$ 16,263,049</u>	<u>\$ 15,044,079</u>	<u>\$ 13,919,970</u>
Plan's net pension liability—ending (a) - (b)	<u>\$ 56,828</u>	<u>\$ 1,379,534</u>	<u>\$ 5,913,250</u>	<u>\$ 7,512,770</u>
Plan fiduciary net position as a percentage of the total pension liability	99.68%	92.18%	71.78%	64.95%
Covered payroll	N/A	N/A	N/A	N/A
Plan's net pension liability as a percentage of covered payroll	N/A	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 12/31/2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	222,541	276,832	288,058	341,929
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,349,629)	(1,525,979)	-	(1,233,517)
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(501,605)</u>	<u>(618,629)</u>	<u>(705,257)</u>	<u>(1,100,056)</u>
Net change in total pension liability	<u>(1,628,693)</u>	<u>(1,867,776)</u>	<u>(417,199)</u>	<u>(1,991,644)</u>
Total pension liability—beginning	<u>7,666,992</u>	<u>9,534,768</u>	<u>9,951,967</u>	<u>11,943,611</u>
Total pension liability—ending (a)	<u>\$ 6,038,299</u>	<u>\$ 7,666,992</u>	<u>\$ 9,534,768</u>	<u>\$ 9,951,967</u>
Plan fiduciary net position				
Contributions—employer	\$ 667,111	\$ 784,373	\$ 734,966	\$ 850,789
Contributions—member	-	-	-	-
Net investment income	104	-	-	-
Benefit payments, including refunds of member contributions	(501,605)	(618,629)	(705,257)	(1,100,056)
Administrative expense	(29,531)	(17,458)	(27,666)	(12,985)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>136,079</u>	<u>148,286</u>	<u>2,043</u>	<u>(262,252)</u>
Plan fiduciary net position—beginning	<u>763,352</u>	<u>615,066</u>	<u>613,023</u>	<u>875,275</u>
Plan fiduciary net position—ending (b)	<u>\$ 899,431</u>	<u>\$ 763,352</u>	<u>\$ 615,066</u>	<u>\$ 613,023</u>
Plan's net pension liability—ending (a) - (b)	<u>\$ 5,138,868</u>	<u>\$ 6,903,640</u>	<u>\$ 8,919,702</u>	<u>\$ 9,338,944</u>
Plan fiduciary net position as a percentage of the total pension liability	14.90%	9.96%	6.45%	6.16%
Covered payroll	N/A	N/A	N/A	N/A
Plan's net pension liability as a percentage of covered payroll	N/A	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 6/30/2018
LEOFF 1 (in thousands)

	LEOFF 1			
	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.9470%	0.9544%	0.9642%	0.9613%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (17,192)	\$ (14,481)	\$ (9,935)	\$ (11,586)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (116,288)	\$ (97,946)	\$ (67,197)	n/a
City's covered payroll (in thousands)	\$ 33	\$ 52	\$ 76	\$ 102
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-51343.38%	-27900.33%	-12989.69%	-11387.85%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	144.42%	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 6/30/2018
LEOFF 2 (in thousands)

	LEOFF 2			
	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	2.0463%	2.0211%	2.0361%	2.0020%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (41,545)	\$ (28,046)	\$ (11,842)	\$ (20,576)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (26,900)	\$ (18,193)	\$ (7,720)	n/a
City's covered payroll (in thousands)	\$ 40,704	\$ 38,050	\$ 36,731	\$ 34,918
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-102.07%	-73.71%	-32.24%	-58.93%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	118.50%	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 12/31/2018

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 10,044,342	\$ 9,765,949	\$ 9,853,762	\$ 9,069,276	\$ 8,292,066
Contributions in relation to the actuarially determined contribution	9,187,420	8,113,319	7,586,362	7,398,945	6,822,279
Contribution deficiency (excess)	\$ 856,922	\$ 1,652,630	\$ 2,267,400	\$ 1,670,331	\$ 1,469,787
Covered payroll	\$ 102,082,444	\$ 98,343,261	\$ 91,955,903	\$ 89,684,182	\$ 86,139,886
Contributions as a percentage of covered payroll	9.00%	8.25%	8.25%	8.25%	7.92%

	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 8,237,317	\$ 8,325,936	\$ 10,010,885	\$ 8,955,055	\$ 8,267,280
Contributions in relation to the actuarially determined contribution	6,715,376	6,937,750	6,799,258	6,580,795	6,474,432
Contribution deficiency (excess)	\$ 1,521,941	\$ 1,388,186	\$ 3,211,627	\$ 2,374,260	\$ 1,792,848
Covered payroll	\$ 86,650,013	\$ 89,519,355	\$ 90,264,062	\$ 88,093,679	\$ 83,455,429
Contributions as a percentage of covered payroll	7.75%	7.75%	7.53%	7.47%	7.76%

Notes to Schedule

Valuation date: December 31, 2018

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:
	<u>Years of Service</u>
	<1
	1-2
	3
	4
	5-9
	10-19
	20+
	<u>Annual Increase</u>
	12.0%
	10.0%
	8.0%
	5.0%
	4.0%
	3.0%
	2.5%
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%
50-58	5.0%
59-61	10.0%
62	25.0%
63	20.0%
64	25.0%
65	30.0%
66	25.0%
67	20.0%
68	10.0%
69	25.0%
70	15.0%
71-74	30.0%
75+	100.0%

Schedule of Employer Contributions Firefighters' Pension as of 12/31/2018

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,819	\$ 98,333	\$ 519,891	\$ 519,891	\$ 864,697
Contributions in relation to the actuarially determined contribution	2,827,071	2,179,136	2,137,287	2,314,579	1,515,765
Contribution deficiency (excess)	\$ (2,823,252)	\$ (2,080,803)	\$ (1,617,396)	\$ (1,794,688)	\$ (651,068)
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

	2013	2012
Actuarially determined contribution	\$ 864,697	\$ 1,070,804
Contributions in relation to the actuarially determined contribution	2,183,389	439,804
Contribution deficiency (excess)	\$ (1,318,692)	\$ 631,000
Covered payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

Notes to Schedule

Valuation date: December 31, 2018

Actuarial cost method	Entry age normal
Amortization method	30-year, closed as of January 1, 2007
Remaining amortization period	19 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	<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.

Mortality Table – Disabled 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 12/31/2018

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 345,413	\$ 447,851	\$ 585,998	\$ 585,998	\$ 586,637
Contributions in relation to the actuarially determined contribution	487,803	637,580	766,915	707,300	837,804
Contribution deficiency (excess)	\$ (142,390)	\$ (189,729)	\$ (180,917)	\$ (121,302)	\$ (251,167)
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

	2013	2012
Actuarially determined contribution	\$ 586,637	\$ 734,291
Contributions in relation to the actuarially determined contribution	845,079	869,885
Contribution deficiency (excess)	\$ (258,442)	\$ (135,594)
Covered payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	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.

Mortality Table – Disabled 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.

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 12/31/2018

City's Proportionate Share (in thousands)	2018	2017	2016	2015
Contractually required contributions	\$ -	\$ -	\$ -	\$ -
Actuarially Determined contribution (ADC)	-	-	-	-
Contributions in relation to the ADC	-	-	-	1
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (1)

Covered payroll	0	0	0	0
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Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%
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This table will be built prospectively until it contains 10 years of data

Schedule of Employer Contributions LEOFF 2 as of 12/31/2018

City's Proportionate Share (in thousands)	2018	2017	2016	2015
Contractually required contributions	\$ 3,562	\$ 3,200	\$ -	\$ -
Actuarially Determined contribution (ADC)	3,207	3,033	3,089	2,951
Contributions in relation to the ADC	3,572	3,195	3,103	2,952
Contribution deficiency (excess)	\$ (365)	\$ (162)	\$ (14)	\$ (1)

Covered payroll	40,704	38,049	36,731	34,918
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Contributions as a percentage of covered payroll	8.78%	8.40%	8.45%	8.45%
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This table will be built prospectively until it contains 10 years of data

**Schedule of Investment Returns as of 12/31/2018
Spokane Employee Retirement System (SERS)**

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-6.30%	15.40%	6.71%	-0.94%	5.34%
	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

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.71%	2.17%	1.90%	1.01%	2.58%
	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	0.32%	5.97%	3.93%	4.63%	1.27%

Police

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.70%	0.90%	0.00%	0.00%	0.00%
	2013	2012	2011	2010	2009
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' Retirement Net OPEB Liability and Related Ratios as of measurement date 12/31/2017

	2018	2017
Total Firefighters' OPEB liability		
Service cost	\$ -	\$ 4,364
Interest	1,659,545	1,721,361
Changes of benefit terms	-	-
Differences between expected and actual experience	5,303,077	(889,509)
Changes of assumptions	(10,984,642)	-
Benefit payments, including refunds of member contributions	(3,014,467)	(2,770,305)
Net change in total opeb liability	(7,036,487)	(1,934,089)
Total opeb liability—beginning	56,825,408	58,759,497
Total opeb liability—ending (a)	\$ 49,788,921	\$ 56,825,408
 Plan fiduciary net position		
Contributions—employer	\$ 2,880,818	\$ 2,777,670
Contributions—member	-	-
Net investment income	279,438	221,113
Benefit payments, including refunds of member contributions	(3,014,467)	(2,770,305)
Administrative expense	(294,117)	(276,975)
Other	-	-
Net change in plan fiduciary net position	(148,328)	(48,497)
 Plan fiduciary net position—beginning	13,966,102	14,014,599
Plan fiduciary net position—ending (b)	\$ 13,817,774	\$ 13,966,102
 Plan's net pension liability—ending (a) – (b)	\$ 35,971,147	\$ 42,859,306
 Plan fiduciary net position as a percentage of the total opeb liability	27.75%	24.58%
 Covered payroll	N/A	N/A
 Plan's net opeb liability as a percentage of covered payroll	N/A	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 Retirement
Net OPEB Liability and Related Ratios
as of measurement date 12/31/2017**

	<u>2018</u>	<u>2017</u>
Total Police OPEB liability		
Service cost	\$ 2,352	\$ 5,875
Interest	1,939,973	1,999,833
Changes of benefit terms	-	-
Differences between expected and actual experience	3,104,252	(3,649,221)
Changes of assumptions	(5,212,240)	(1,384,401)
Benefit payments, including refunds of member contributions	(2,274,588)	(2,473,394)
Net change in total opeb liability	(2,440,251)	(5,501,308)
Total opeb liability—beginning	52,867,571	58,368,879
Total opeb liability—ending (a)	<u>\$ 50,427,320</u>	<u>\$ 52,867,571</u>
 Plan fiduciary net position		
Contributions—employer	\$ 2,518,563	\$ 2,703,355
Contributions—member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(2,274,588)	(2,473,394)
Administrative expense	(244,079)	(229,961)
Other	-	-
Net change in plan fiduciary net position	(104)	-
 Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending (b)	<u>\$ (104)</u>	<u>\$ -</u>
 Plan's net opeb liability—ending (a) - (b)	<u>\$ 50,427,424</u>	<u>\$ 52,867,571</u>
 Plan fiduciary net position as a percentage of the total opeb liability	0.00%	0.00%
 Covered payroll	\$ -	\$ -
 Plan's net opeb liability as a percentage of covered payroll	N/A	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 not held in trust
as of measurement date 12/31/2017**

	<u>2018</u>	<u>2017</u>
Total Retiree Medical Plan 2 OPEB liability		
Service cost	\$ 518,369	\$ 512,615
Interest	301,836	275,198
Changes of benefit terms	1,306,207	-
Differences between expected and actual experience	(182,268)	(172,229)
Changes of assumptions	446,102	(181,786)
Benefit payments, including refunds of member contributions	(261,542)	(245,206)
Net change in total opeb liability	<u>2,128,704</u>	<u>188,592</u>
Total opeb liability—beginning	<u>7,661,362</u>	<u>7,472,770</u>
Total opeb liability—ending (a)	<u><u>\$ 9,790,066</u></u>	<u><u>\$ 7,661,362</u></u>
 Plan fiduciary net position		
Contributions—employer	\$ 261,542	\$ 245,206
Contributions—member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(261,542)	(245,206)
Administrative expense	-	-
Other	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>
 Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Plan's total opeb liability—ending (a) - (b)	<u><u>\$ 9,790,066</u></u>	<u><u>\$ 7,661,362</u></u>
 Plan fiduciary net position as a percentage of the total opeb liability	0.00%	0.00%
 Covered-employee payroll	\$ 79,229,367	\$ 78,014,109
 Plan's total opeb liability as a percentage of covered-employee payroll	12.36%	9.82%

Notes to Schedule

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

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:

2018	3.00%
2017	3.75%

**Other Postemployment Benefit
Schedule of Employer Contributions
Firefighters' Pension (in thousands) as of 12/31/2018**

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,881	\$ 2,778	\$ 2,778	\$ 3,377	\$ 3,377
Contribution in Relation to the Actuarially Determined	2,881	2,778	2,778	3,377	3,377
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 5,056	\$ 5,056	\$ 4,311	\$ 4,311	\$ 3,657
Contribution in Relation to the Actuarially Determined Contribution	5,099	5,013	4,311	4,311	3,657
Contribution Deficiency (Excess)	(43)	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, 2018

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 12/31/2018**

	2018	2017	2016	2015	2014
Actuarial determined contribution	\$ 3,763	\$ 3,944	\$ 3,944	\$ 4,380	\$ 4,380
Actuarially Determined Contribution	2,518	2,703	2,733	3,041	2,496
Contribution Deficiency (Excess)	1,245	1,241	1,211	1,339	1,884
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

	2013	2012	2011	2010	2009
Actuarial determined contribution	\$ 5,877	\$ 5,877	\$ 4,573	\$ 4,573	\$ 3,470
Actuarially Determined Contribution	2,811	2,856	3,398	2,747	2,606
Contribution Deficiency (Excess)	3,066	3,021	1,175	1,826	864
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, 2018

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
 - 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

**Schedule of Investment Returns for OPEB held in trust
as of 12/31/2017**

Fire OPEB

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.71%	2.17%	1.90%	1.01%	2.58%
	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	0.32%	5.97%	3.93%	4.63%	1.27%

Police OPEB

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.70%	0.90%	0.00%	0.00%	0.00%
	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to the Required Supplementary Information

For the Fiscal Year Ended December 31, 2018

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, 2018

Federal Agency (Pass-Through Agency)	Federal program	CFDA Number	Other Award Number	Expenditures			Passed Through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
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 B-17-MC-53-0006 B-18-MC-53-0006 Program Income		3,147,159.79		1,610,845.22	7
					2,673,732.29		1,200,802.07	3
			Subtotal		<u>5,820,892.08</u>	<u>5,820,892.08</u>	<u>2,811,647.29</u>	
	Total from CDBG-Entitlement Grant Cluster				5,820,892.08	5,820,892.08	2,811,647.29	
U.S Department of Housing and Urban Development	Emergency Solutions Grant Program	14.231	E16-MC-53-0006 E17-MC-53-0006 E18-MC-53-0006		296,986.01	296,986.01	264,630.79	7
U.S Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M-14-MC-53-0201 M-15-MC-53-0201 M-16-MC-53-0201 M-17-MC-53-0201 M-18-MC-53-0201 Program Income		939,878.65		835,126.42	7
					319,474.23		276,427.83	3
			Subtotal		<u>1,259,352.88</u>	<u>1,259,352.88</u>	<u>1,111,554.25</u>	
U.S Department of Housing and Urban Development	Continuum of Care Program	14.267	WA0109L0T021608 WA0109L0T021710 WA0111L0T021609 WA0111L0T021710 WA0113L0T021609 WA0113L0T021710 WA0119L0T021601 WA0122L0T021609 WA0122L0T021710 WA0125L0T021609 WA0125L0T021710 WA0126L0T021609 WA0126L0T021710 WA0127L0T021609 WA0127L0T021710 WA0128L0T021609 WA0128L0T021710 WA0129L0T021609 WA0129L0T021710 WA0130L0T021609 WA0130L0T021710 WA0218L0T021606 WA0218L0T021707 WA0285L0T021603 WA0285L0T021704 WA0288L0T021603 WA0288L0T021704 WA0302L0T021602 WA0302L0T021703 WA0329L0T021601 WA0330L0T021601 WA0331L0T021601 WA0331L0T021702 WA0332L0T021601 WA0332L0T021702 WA0353L0T021601 WA0353L0T021702 WA0372L0T021600 WA0373L0T021600 WA0373L0T021701 WA0374L0T021600 WA0374L0T021701		3,593,298.92	3,593,298.92	3,151,696.30	7
U.S. Department of the Interior (Via WA State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY18-61018-009	15,000.00		15,000.00		2
U.S. Department of Justice (Via Seattle Police Department)	Missing Children's Assistance	16.543	2015-MC-FX-K039 2018-MC-FX-K054	6,444.92 2,229.87				
			Subtotal	<u>8,674.79</u>		<u>8,674.79</u>		
U.S. Department of Justice	Youth Gang Prevention	16.544	2016-JV-FX-0005		128,708.19	128,708.19	125,263.29	

U.S. Department of Justice (via Spokane County Sheriff's Office)	Violence Against Women Formula Grants	16.588	FY17-31103-012	6,495.15	6,495.15	2	
U.S. Department of Justice (via Young Women's Christian Association)	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2016-WE-AX-0051	63,386.88	63,386.88		
U.S. Department of Justice	Public Safety Partnership and Community Policing Grants	16.710	2014ULWX0016		3,197.83	3,197.83	2
U.S. Department of Justice (via Center for Court Innovation)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DC-NY-K002	53,305.55	53,305.55		
U.S. Department of Justice (via Spokane County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0120	38,872.34	38,872.34		
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0549 2017-DJ-BX-0336		29,949.05 78,921.00		
			Subtotal	-	108,870.05	108,870.05	
			Total - CFDA 16.738	92,177.89	108,870.05	201,047.94	
U.S. Department of Justice	Equitable Sharing Program	16.922	WA0320400		24,916.68	24,916.68	
Highway Planning and Construction Cluster							
U.S. Department of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPD-3850(006) STPUL-1220(025) STPUL-3792(001) CM-9932(032) STPUL-9932(046) CM-3960(002) TAP-1220(030) CM-3933(001) HSIP-HLP-3891(012) HSIP-HLP-3891(013) HSIP-3391(003) STPUL-3900(004) STPUL-3755(005) STPUL-1220(033) STPUL-0002(314) HSIP-3900(005) STPUL-TAP-1220(038) SRTS-3930(001) SRTS-388(008) CM-1220(034) STPD-3899(002) STPUL-1220(037) STPUL-3840(012) CM-1220(036) STPUL-3975(002) NHPP-9932(057)	11,949,219.88	11,949,219.88	2	
			Total from Highway Planning and Construction Cluster	11,949,219.88	\$ -	11,949,219.88	
U.S. Department of Transportation	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237	FM-MHP-0289-17		100,420.24	100,420.24	2
Highway Safety Cluster							
U.S. Department of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Target Zero Click It or Ticket FY18 Target Zero Flex Funding FY18 Target Zero Distracted Driving FY18 LEL FY18 Grant	11,954.20	11,954.20		
U.S. Department of Transportation (via WA Association of Sheriffs and Police Chiefs)	State and Community Highway Safety	20.600	WASPC FY 2018-2019	3,781.92	3,781.92		
			Total - CFDA 20.600	15,736.12	15,736.12		
U.S. Department of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Program	20.616	Target Zero DUI FY18 Target Zero DUI FY19 2018-Vendor Contract-2424-AG 1861	18,113.81	18,113.81		

Total from Highway Safety Cluster				33,849.93	-	33,849.93	-
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 2019-AG-2891-DUI Enforcement 2019-AG-28-52-Spokane Municipal DUI Court 2018-AG-2703-Spokane Municipal Court Candidate DUI Court	167,079.14		167,079.14	2
Institute of Museum and Library Services (via Washington State Library)	Grants to States	45.310	LS-00-0048-18	892.05		892.05	
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-00021 WQC-2018-Spokane-00016 WQC-2018-Spokane-00123	1,836,920.12 17,469,152.65			4, 7 8
Subtotal				<u>19,306,072.77</u>		<u>19,306,072.77</u>	
Total from Clean Water State Revolving Fund Cluster				19,306,072.77	-	19,306,072.77	-
Environmental Protection Agency (via WA State Department of Ecology)	State and Tribal Response Program Grants	66.817	IIA C1800014	15,374.35		15,374.35	
Environmental Protection Agency	Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	BF-01J11001 BF-01J39601 BF-01J36501 BF-01J39701		481,311.04	481,311.04	
Executive Office of the President (via Educational Service District 105)	High Intensity Drug Trafficking Area Programs	95.001	G16NW0003A	1,743.07		1,743.07	
Department of Homeland Security (via Nevada National Security Site)	State and Local Homeland Security National Training Program	97.005	Radiological/Nuclear Training	2,905.44		2,905.44	5(a)
Department of Homeland Security	National Fire Academy Training Assistance	97.018	Emmetsburg Training		3,930.18	3,930.18	5(b)
Department of Homeland Security (via WA State Military Department)	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	D16-615	103,832.77		103,832.77	2
Department of Homeland Security	Assistance to Firefighters Grant	97.044	EW-2016-FO-04269		22,709.00	22,709.00	2
Department of Homeland Security (via Idaho Homeland Security)	Homeland Security Grant Program	97.067	DHS-17-GPD-067-00-01 EMW-2018-SS-00040-S01	622.12 10,000.00			
Subtotal				<u>10,622.12</u>		<u>10,622.12</u>	
Department of Homeland Security (via Spokane county)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01 EMW-2017-SS-00101-S01	9,130.50 59,960.35			6
Subtotal				<u>69,090.85</u>		<u>69,090.85</u>	
Total - CFDA 97.067				79,712.97		79,712.97	
Department of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00678		4,578,450.05	4,578,450.05	
TOTAL FEDERAL AWARDS EXPENDED				31,846,417.08	16,423,043.15	48,269,460.23	7,464,791.92

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, 2018**

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 \$2,419,696.38 and is presented in this schedule. The amount of principal received in loan repayments for the year was \$1,839,030.62.

Program	Balance 1/1/2018	Loans Disbursed	Payments Received	Forgiveness & Write-offs	Balance 12/31/2018
CDBG	\$16,509,072.25	\$817,550.42	(\$1,493,376.28)	(\$47,192.06)	\$15,786,054.33
HOME	\$17,101,880.16	\$1,602,145.96	(\$305,599.77)	(\$90,431.14)	\$18,307,995.21
Lead Safe Spokane	\$717,841.26		(\$17,374.21)	(\$1,407.33)	\$699,059.72
Housing Assistance/ Neighborhood Stabilization	\$4,778,978.69		(\$23,613.28)	(\$0.09)	\$4,755,365.32
Total	\$39,107,772.36	\$2,419,696.38	(\$1,839,963.54)	(\$139,030.62)	\$39,548,474.58

Note 4 – Federal Loans

The City was approved by the EPA to receive loans totaling \$4,200,000.00 and \$1,200,859.00 to improve its drinking water system. The amount listed for these loans include 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 airfare, per diem, and lodging costs to attend “Radiological/Nuclear Incidents Training” from Nevada National Security Site. The amount reported on the SEFA is the value of the federally paid portion of the airfare, per diem, and lodging costs.

- (b) The City received airfare costs to attend various classes throughout the year at the National Fire Academy in Emmitsburg, MD from FEMA. The amount reported on the SEFA is the value of the federally paid portion of the airfare.

Note 6 – Noncash Awards – Equipment

The City received equipment and supplies that were purchased with federal Homeland Security funds by Spokane County Department of Emergency Management (DEM). The amount reported on the Schedule, \$59,960.35, is the value of the property on the date it was received by the City and priced by the Spokane County Department of Emergency Management (DEM).

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 122.76%, depending on the allowable maximum amount per the grant and the department charging the grant.

Note 8 – 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.

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2018

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
ASSETS					
Cash and cash equivalents	\$ 18,311,724	\$ 189,642	\$ 184,735	\$ 135,197	\$ 291
Deposits with fiscal agents/trustees	12,472	-	-	-	-
Equity in pooled investments	10,559,720	64,699	2,479,305	46,124	99
Taxes receivable	13,216,053	743,461	-	-	-
Accounts receivable	3,599,544	-	27,785	9,982	-
Interest receivable	1,677,706	-	1,413	-	-
Due from other funds	7,694,328	290,684	13,541	184	-
Interfund loan receivable	2,658,433	-	44,411	-	-
Due from other governments	313,621	-	-	-	-
Advances to other funds	1,691,454	-	243,228	-	-
Inventories	60,000	-	-	-	-
Notes/contract receivable (non-current)	-	-	-	-	-
Total Assets	59,795,055	1,288,486	2,994,418	191,487	390
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	59,795,055	1,288,486	2,994,418	191,487	390
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts/vouchers payable	2,733,488	25,095	128,041	19,693	-
Due to other funds	975,967	618,054	1,613	559	-
Due to other governments	904,468	-	-	-	-
Other accrued liabilities	3,321,780	53,805	231,108	-	-
Other current liabilities	770,373	-	98	-	-
Total Liabilities	8,706,076	696,954	360,860	20,252	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,588,160	-	-	2,481	-
Total Deferred Inflows of Resources	1,588,160	-	-	2,481	-
Total Liabilities Plus Deferred Inflows of Resources	10,294,236	696,954	360,860	22,733	-
FUND BALANCE:					
Nonspendable	1,751,454	-	243,228	-	-
Restricted - grants	-	-	-	-	-
Committed	3,954,999	-	-	168,754	390
Assigned	18,852,632	591,532	2,390,330	-	-
Unassigned	24,941,734	-	-	-	-
Total Fund Balance (Deficit)	49,500,819	591,532	2,633,558	168,754	390
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 59,795,055	\$ 1,288,486	\$ 2,994,418	\$ 191,487	\$ 390

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2018
(Continued)

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
ASSETS				
Cash and cash equivalents	\$ 61,781	\$ -	\$ -	\$ 16,828
Deposits with fiscal agents/trustees	-	-	-	-
Equity in pooled investments	22,125	439,428	195,139	5,741
Taxes receivable	-	-	-	-
Accounts receivable	-	10,000	3,500	-
Interest receivable	-	226	302	-
Due from other funds	-	-	-	-
Interfund loan receivable	20	8,062	3,492	-
Due from other governments	-	-	-	-
Advances to other funds	105	44,153	19,125	-
Inventories	-	-	-	-
Notes/contract receivable (non-current)	-	116,302	5,625	-
Total Assets	84,031	618,171	227,183	22,569
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	84,031	618,171	227,183	22,569
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts/vouchers payable	-	-	-	-
Due to other funds	-	166	166	-
Due to other governments	-	-	-	-
Other accrued liabilities	-	-	-	-
Other current liabilities	-	-	-	-
Total Liabilities	-	166	166	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	-	166	166	-
FUND BALANCE:				
Nonspendable	105	44,153	19,125	-
Restricted - grants	-	573,852	207,892	-
Committed	-	-	-	-
Assigned	83,926	-	-	22,569
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	84,031	618,005	227,017	22,569
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 84,031	\$ 618,171	\$ 227,183	\$ 22,569

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2018
(Continued)

	Emergency Medical Services	Eliminations	Total
ASSETS			
Cash and cash equivalents	\$ 301,830	\$ -	\$ 19,202,028
Deposits with fiscal agents/trustees	10,226	-	22,698
Equity in pooled investments	1,939,853	-	15,752,233
Taxes receivable	190,544	-	14,150,058
Accounts receivable	140,243	-	3,791,054
Interest receivable	997	-	1,680,644
Due from other funds	216,369	(261,746)	7,953,360
Interfund loan receivable	33,751	-	2,748,169
Due from other governments	1,051,826	-	1,365,447
Advances to other funds	184,846	-	2,182,911
Inventories	11,195	-	71,195
Notes/contract receivable (non-current)	-	-	121,927
Total Assets	<u>4,081,680</u>	<u>(261,746)</u>	<u>69,041,724</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>4,081,680</u>	<u>(261,746)</u>	<u>69,041,724</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/vouchers payable	198,345	-	3,104,662
Due to other funds	62,086	(261,746)	1,396,865
Due to other governments	-	-	904,468
Other accrued liabilities	1,998,809	-	5,605,502
Other current liabilities	10,954	-	781,425
Total Liabilities	<u>2,270,194</u>	<u>(261,746)</u>	<u>11,792,922</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	139,330	-	1,729,971
Total Deferred Inflows of Resources	<u>139,330</u>	<u>-</u>	<u>1,729,971</u>
Total Liabilities Plus Deferred Inflows of Resources	<u>2,409,524</u>	<u>(261,746)</u>	<u>13,522,893</u>
FUND BALANCE:			
Nonspendable	196,041	-	2,254,106
Restricted - grants	-	-	781,744
Committed	1,476,115	-	5,600,258
Assigned	-	-	21,940,989
Unassigned	-	-	24,941,734
Total Fund Balance (Deficit)	<u>1,672,156</u>	<u>-</u>	<u>55,518,831</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,081,680</u>	<u>\$ (261,746)</u>	<u>\$ 69,041,724</u>

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, 2018
(Continued)

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
REVENUES					
Taxes	\$ 154,328,235	\$ 25,919	\$ 1,250,028	\$ -	-
Licenses and permits	6,669,724	-	-	-	-
Intergovernmental	3,869,741	-	11,574	-	-
Charges for services	18,612,061	953,429	20,919	-	-
Fines and forfeitures	2,355,717	-	111,142	-	-
Miscellaneous	7,636,611	538,573	269,668	191,696	-
Net inc(dec) in market value of investments	(3,400,696)	-	-	-	-
Total Revenues	190,071,393	1,517,921	1,663,331	191,696	-
EXPENDITURES					
Current:					
General government	33,037,079	-	-	-	-
Public safety	59,980,288	2,037,323	-	-	-
Transportation	6,580,183	-	-	154,083	-
Economic environment	4,828,187	-	-	-	-
Social services	1,943,320	-	-	-	-
Culture and recreation	816,907	-	8,326,225	-	-
Capital outlays	368,224	-	1,228,222	-	-
Debt service:					
Total Expenditures	107,554,188	2,037,323	9,554,447	154,083	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,517,205	(519,402)	(7,891,116)	37,613	-
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	43,576	-	-	-	-
Transfers in	810,265	691,902	8,602,400	-	-
Transfers out	(81,159,857)	-	(56,996)	-	-
Total Other Financing Sources (Uses)	(80,306,016)	691,902	8,545,404	-	-
Net Change in Fund Balance	2,211,189	172,500	654,288	37,613	-
Fund Balance - beginning (Note 1)	45,741,682	419,032	1,979,270	131,141	390
Prior Period Adjustment	1,547,948	-	-	-	-
Fund Balance - ending	\$ 49,500,819	\$ 591,532	\$ 2,633,558	\$ 168,754	\$ 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, 2018
(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	4,312	1,445	-
Net inc(dec) in market value of investments	-	-	4,843	-
Total Revenues	3	4,312	6,288	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	409	443	-
Social services	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlays	-	-	-	-
Debt service:				
Total Expenditures	-	409	443	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3	3,903	5,845	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	3	3,903	5,845	-
Fund Balance - beginning (Note 1)	84,028	614,102	221,172	22,569
Prior Period Adjustment	-	-	-	-
Fund Balance - ending	\$ 84,031	\$ 618,005	\$ 227,017	\$ 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, 2018
(Continued)

	Emergency Medical Services	Eliminations	Total
REVENUES			
Taxes	\$ 8,387,268	\$ -	\$ 163,991,450
Licenses and permits	345,424	-	7,015,148
Intergovernmental	4,682,850	-	8,564,165
Charges for services	1,652,535	-	21,238,944
Fines and forfeitures	240,862	-	2,707,721
Miscellaneous	75,051	-	8,717,359
Net inc(dec) in market value of investments	-	-	(3,395,853)
Total Revenues	<u>15,383,990</u>	<u>-</u>	<u>208,838,934</u>
EXPENDITURES			
Current:			
General government	-	-	33,037,079
Public safety	55,093,269	-	117,110,880
Transportation	-	-	6,734,266
Economic environment	-	-	4,829,039
Social services	-	-	1,943,320
Culture and recreation	-	-	9,143,132
Capital outlays	132,149	-	1,728,595
Debt service:			
Total Expenditures	<u>55,225,418</u>	<u>-</u>	<u>174,526,311</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(39,841,428)</u>	<u>-</u>	<u>34,312,623</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	51,962	-	95,538
Transfers in	39,700,000	(48,994,302)	810,265
Transfers out	(48,150)	48,994,302	(32,270,701)
Total Other Financing Sources (Uses)	<u>39,703,812</u>	<u>-</u>	<u>(31,364,898)</u>
Net Change in Fund Balance	<u>(137,616)</u>	<u>-</u>	<u>2,947,725</u>
Fund Balance - beginning (Note 1)	1,809,772	-	51,023,158
Prior Period Adjustment	-	-	1,547,948
Fund Balance - ending	<u>\$ 1,672,156</u>	<u>\$ -</u>	<u>\$ 55,518,831</u>

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 152,663,469	\$ 152,663,469	\$ 154,328,235	\$ 1,664,766
Licenses and permits	6,972,000	6,972,000	6,669,724	(302,276)
Intergovernmental	4,832,311	4,832,311	3,869,741	(962,570)
Charges for services	14,491,153	14,601,153	18,612,061	4,010,908
Fines and forfeitures	2,749,670	2,749,670	2,355,717	(393,953)
Miscellaneous	6,632,100	6,643,100	7,636,611	993,511
Net inc(dec) in market value of investments	-	-	(3,400,696)	(3,400,696)
Total revenues	188,340,703	188,461,703	190,071,393	1,609,690
EXPENDITURES				
General government	32,704,766	34,045,217	33,037,079	1,008,138
Public safety	59,413,826	59,693,203	59,980,288	(287,085)
Transportation	6,798,018	6,797,336	6,580,183	217,153
Economic environment	6,011,758	6,177,465	4,828,187	1,349,278
Social services	2,078,530	3,879,894	1,943,320	1,936,574
Culture and recreation	50,000	848,928	816,907	32,021
Capital outlays	56,114	173,485	368,224	(194,739)
Debt service:				
Total expenditures	107,113,012	111,615,528	107,554,188	4,061,340
Excess (deficiency) of revenues over (under) expenditures	81,227,691	76,846,175	82,517,205	5,671,030
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	43,576	43,576
Transfers in	810,265	810,265	810,265	-
Transfers out	(81,844,003)	(82,233,035)	(81,159,857)	1,073,178
Total other financing sources (uses)	(81,033,738)	(81,422,770)	(80,306,016)	1,116,754
Net change in fund balance	193,953	(4,576,595)	2,211,189	6,787,784
Fund Balance - beginning	37,321,456	37,321,456	45,741,682	8,420,226
Prior Period Adjustment	-	-	1,547,948	1,547,948
Fund Balance - ending	\$ 37,515,409	\$ 32,744,861	\$ 49,500,819	\$ 16,755,958

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Code Enforcement
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ -	\$ -	25,919	\$ 25,919
Charges for services	1,431,336	1,431,336	953,429	(477,907)
Fines and forfeitures	3,000	3,000	-	(3,000)
Miscellaneous	245,000	245,000	538,573	293,573
Total revenues	1,679,336	1,679,336	1,517,921	(161,415)
EXPENDITURES				
Public safety	2,289,801	2,448,116	2,037,323	410,793
Total expenditures	2,289,801	2,448,116	2,037,323	410,793
Excess (deficiency) of revenues over (under) expenditures	(610,465)	(768,780)	(519,402)	249,378
OTHER FINANCING SOURCES (USES)				
Transfers in	837,830	837,830	691,902	(145,928)
Total other financing sources (uses)	837,830	837,830	691,902	(145,928)
Net change in fund balance	227,365	69,050	172,500	103,450
Fund Balance - beginning	166,947	166,947	419,032	252,085
Fund Balance - ending	\$ 394,312	\$ 235,997	\$ 591,532	\$ 355,535

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 1,255,000	\$ 1,255,000	\$ 1,250,028	\$ (4,972)
Intergovernmental	250,000	250,000	11,574	(238,426)
Charges for services	22,000	22,000	20,919	(1,081)
Fines and forfeitures	140,000	140,000	111,142	(28,858)
Miscellaneous	110,250	262,250	269,668	7,418
Total revenues	1,777,250	1,929,250	1,663,331	(265,919)
EXPENDITURES				
Culture and recreation	9,116,488	9,476,488	8,326,225	1,150,263
Capital outlays	1,194,918	1,489,318	1,228,222	261,096
Total expenditures	10,311,406	10,965,806	9,554,447	1,411,359
Excess (deficiency) of revenues over (under) expenditures	(8,534,156)	(9,036,556)	(7,891,116)	1,145,440
OTHER FINANCING SOURCES (USES)				
Transfers in	8,600,000	9,102,400	8,602,400	(500,000)
Transfers out	(56,996)	(56,996)	(56,996)	-
Total other financing sources (uses)	8,543,004	9,045,404	8,545,404	(500,000)
Net change in fund balance	8,848	8,848	654,288	645,440
Fund Balance - beginning	779,249	779,249	1,979,270	1,200,021
Fund Balance - ending	\$ 788,097	\$ 788,097	\$ 2,633,558	\$ 1,845,461

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 173,108	\$ 173,108	\$ 191,696	\$ 18,588
Total revenues	<u>173,108</u>	<u>173,108</u>	<u>191,696</u>	<u>18,588</u>
EXPENDITURES				
Transportation	147,560	147,560	154,083	(6,523)
Total expenditures	<u>147,560</u>	<u>147,560</u>	<u>154,083</u>	<u>(6,523)</u>
Net change in fund balance	25,548	25,548	37,613	12,065
Fund Balance - beginning	15,071	15,071	131,141	116,070
Fund Balance - ending	<u>\$ 40,619</u>	<u>\$ 40,619</u>	<u>\$ 168,754</u>	<u>\$ 128,135</u>

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, 2018

	Actual	Variance with Final Budget-Positive (Negative)
REVENUES		
Miscellaneous	\$ 3	\$ 3
Total revenues	<u>3</u>	<u>3</u>
Net change in fund balance	3	3
Fund Balance - beginning	84,028	(26)
Fund Balance - ending	<u>\$ 84,031</u>	<u>\$ (23)</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 8,300	\$ 8,300	\$ 4,312	\$ (3,988)
Total revenues	8,300	8,300	4,312	(3,988)
EXPENDITURES				
Economic environment	286,300	286,300	409	285,891
Total expenditures	286,300	286,300	409	285,891
Net change in fund balance	(278,000)	(278,000)	3,903	281,903
Fund Balance - beginning	418,066	418,066	614,102	196,036
Fund Balance - ending	\$ 140,066	\$ 140,066	\$ 618,005	\$ 477,939

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 3,300	\$ 3,300	\$ 1,445	\$ (1,855)
Net inc(dec) in market value of investments	-	-	4,843	4,843
Total revenues	3,300	3,300	6,288	2,988
EXPENDITURES				
Economic environment	210,300	210,300	443	209,857
Total expenditures	210,300	210,300	443	209,857
Net change in fund balance	(207,000)	(207,000)	5,845	212,845
Fund Balance - beginning	221,308	221,308	221,172	(136)
Fund Balance - ending	\$ 14,308	\$ 14,308	\$ 227,017	\$ 212,709

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 8,465,000	\$ 8,465,000	\$ 8,387,268	\$ (77,732)
Licenses and permits	350,000	350,000	345,424	(4,576)
Intergovernmental	4,320,541	4,364,535	4,682,850	318,315
Charges for services	953,851	1,485,477	1,652,535	167,058
Fines and forfeitures	160,000	160,000	240,862	80,862
Miscellaneous	69,000	141,406	75,051	(66,355)
Total revenues	14,318,392	14,966,418	15,383,990	417,572
EXPENDITURES				
Public safety	53,700,203	54,404,010	55,093,269	(689,259)
Capital outlays	125,000	214,573	132,149	82,424
Total expenditures	53,825,203	54,618,583	55,225,418	(606,835)
Excess (deficiency) of revenues over (under) expenditures	(39,506,811)	(39,652,165)	(39,841,428)	(189,263)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	51,962	51,962
Transfers in	39,700,000	39,700,000	39,700,000	-
Transfers out	(48,151)	(48,151)	(48,150)	1
Total other financing sources (uses)	39,651,849	39,651,849	39,703,812	51,963
Net change in fund balance	145,038	(316)	(137,616)	(137,300)
Fund Balance - beginning	2,044,662	2,044,662	1,809,772	(234,890)
Fund Balance - ending	\$ 2,189,700	\$ 2,044,346	\$ 1,672,156	\$ (372,190)

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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