



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Spokane

For the period January 1, 2020 through December 31, 2020

Published December 27, 2021

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

December 27, 2021

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,

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Spokane January 1, 2020 through December 31, 2020

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.231	Emergency Solutions Grant Program
14.231	COVID-19 – Emergency Solutions Grant Program
14.239	Home Investment Partnerships Program
21.019	COVID-19 – Coronavirus Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,024,114.

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Spokane January 1, 2020 through December 31, 2020

2020-001 The City charged the Coronavirus Relief Fund for subrecipients' indirect costs that were unallowable.

CFDA Number and Title:	COVID-19 – 20.019 Coronavirus Relief Fund
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	WA State Department of Commerce
Pass-through Award/Contract Number:	20-6541C-328
Questioned Cost Amount:	\$87,384

Background

The purpose of the Coronavirus Relief Fund (CRF) program is to provide payments to state, territorial, tribal and certain eligible local governments to cover necessary expenditures incurred because of the COVID-19 pandemic.

The City used program funds to cover additional costs it incurred because of the health emergency. The City also passed through funds to subrecipients to provide assistance to local businesses and individuals financially affected by COVID-19. During fiscal year 2020, the City spent \$11,795,122 in CRF program funds under five awards from four pass-through agencies.

In March 2020, the Department of Commerce awarded CRF contract number 20-6541C-328 to the City. The agreement terms allowed the City to charge a 10 percent indirect cost rate to the award. However, the U.S. Department of the Treasury updated its guidance for the CRF program on September 2, 2020. This guidance stated that payments from CRF are not administered as part of a traditional grant program and the provisions of Uniform Guidance applicable to indirect costs do not apply. As a result, recipients may not apply their indirect cost rates to payments received from CRF as of September 2, 2020. The Department of Commerce subsequently updated its guidance, which required recipients to correct any reimbursement requests that included indirect costs that they submitted after this date.

Description of Condition

The City had adequate internal controls for ensuring it materially complied with the program's allowable activities and allowable costs requirements. Although allowed in the agreement terms, the City did not charge indirect costs to the program for its own expenditures. However, the City established seven subrecipient agreements that allowed subrecipients to claim reimbursement from the City for expenditures and the 10 percent indirect cost rate. The City reimbursed these subrecipients \$2,601,475, which included \$87,384 for indirect costs that were charged to the program.

This issue was not reported as a finding in the prior audit.

Cause of Condition

With the effects of the COVID-19 pandemic, it was urgent for the City to establish subrecipient agreements with its community partners and disburse program funds to them so they could assist local businesses and individuals.

City employees said they did not know the CRF program guidance changed regarding indirect costs. Additionally, City staff overlooked an email that the Department of Commerce sent on October 8, 2020, with information related to the program guidance change.

Effect of Condition and Questioned Costs

The City charged \$87,384 in subrecipients' indirect costs to the program, which were unallowable as of September 2, 2020. Further, the City did not correct the amounts it claimed for reimbursement, which the Department of Commerce's updated guidance required. Therefore, we are questioning these costs.

Federal regulations require us to report known questioned costs that are greater than \$25,000 for each type of compliance requirement.

Recommendation

We recommend the City monitor federal program guidance for any updates and ensure it only charges allowable costs to federal programs or corrects reimbursement requests for unallowable costs.

City's Response

This finding was the result of a change in the Coronavirus Relief Fund (CFR) program guidance updated on September 2, 2020 by the U.S. Department of Treasury. The City received the updated guidance from the Washington State

Department of Commerce on October 8, 2020 via email which was unfortunately overlooked while assisting local partners on administering vital programs for the Spokane community. The City did not receive any formal contractual documents between the State and the City as amended to reflect this change.

The City acted in good faith in contracting with community partners to deliver aid and assistance to constituents using the guidance and direction available at the time from the Department of Treasury and the Department of Commerce. These contracts allowed for appropriate and necessary costs incurred by the City's partners to deliver services, including indirect costs for administration and overhead. It is unfortunate that a late change in guidance, issued after contracts were executed and much work was completed, caused this audit finding. As stated in a recent email from the Department of Commerce, "We do not see this (audit finding) as a fault on the City but purely due to the circumstances in which we all had to operate under. We value the quality of the work that your team did under this contract for the state and your community".

As part of the City's effort to ensure the community received as much direct benefit as possible from the CFR program, the City itself did not utilize the indirect cost rate of 10 percent as allowed by the grant agreement. It should be emphasized that the amount of \$87,384 represents approximately 0.7% of the subrecipient grant cluster. Overall, City staff administered this highly complex and time sensitive program professionally while maintaining adequate internal controls which ensured that the City materially complied with the program's allowable activities and cost requirements.

Once these unallowable costs were brought to the attention of City staff by the State Auditor's Office, corrected billings were prepared, submitted, and accepted by the Department of Commerce prior to the report date of this audit. The City considers this issue to be fully corrected.

The City appreciates the time and effort the State Auditor's Office put forth while conducting the audit and working with staff to ensure the City is compliant with all federal rules, laws, and regulations.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and professionalism during the audit. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines questioned costs in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 42 *U.S. Code of Federal Regulations* (CFR) Part 801, *Coronavirus relief fund*, establishes allowable costs of the program.

U.S. Department of Treasury Guidance updated September 2, 2020, at <https://deptofcommerce.app.box.com/s/terngbhemx07941d21lyetl7db3ak7wv> states in part:

Supplemental Guidance on Use of Funds to Cover Administrative Costs General

Payments from the Fund are not administered as part of a traditional grant program and the provisions of the Uniform Guidance, 2 C.F.R. Part 200, that are applicable to indirect costs do not apply. Recipients may not apply their indirect costs rates to payments received from the Fund. Recipients may, if they meet the conditions specified in the guidance for tracking time consistently across a department, use payments from the Fund to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency. (In other words, such costs would be eligible direct costs of the recipient). This includes, but is not limited to, costs related to disbursing payments from the Fund and managing new grant programs established using payments from the Fund. As with any other costs to be covered using payments from the Fund, any such administrative costs must be incurred by December 30, 2020, with an exception for certain compliance costs as discussed below. Furthermore, as discussed in the Guidance above, as with any other cost, an administrative cost that has been or will be reimbursed under any federal program may not be covered with the Fund. For example, if an administrative cost is already being covered as a direct or indirect cost pursuant to another federal grant, the Fund may not be used to cover that cost.

INDEPENDENT AUDITOR'S REPORT

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, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2021.

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 auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those 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.

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 17.

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.

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 reports 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 15, 2021

INDEPENDENT AUDITOR'S REPORT

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, 2020 through December 31, 2020

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, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

November 30, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Spokane January 1, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 20.

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 45 percent, 55 percent and 16 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.

Opinions

In our opinion, based on our audit and the reports 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 17 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 17. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021 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.

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Pat McCarthy, State Auditor

Olympia, WA

November 15, 2021

FINANCIAL SECTION

City of Spokane January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds – 2020

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities – Governmental Funds – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Fiduciary Net Position – Fiduciary Funds – 2020

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2020

Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Accounts – 2020

Schedule of Changes in the Net Pension Liability and Related Ratios – SERS, Firefighters' Pension and Police Pension – 2020

Schedule of City's Proportionate Share of the Net Pension Liability (Asset) – LEOFF 1 and LEOFF 2 – 2020

Schedule of Employer Contributions – SERS, Firefighters' Pension, Police Pension, LEOFF 1 and LEOFF 2 – 2020

Schedule of Investment Returns – Spokane Employee Retirement System (SERS), Fire and Police – 2020

Schedule of Changes in the City's Firefighters' Retirement Net OPEB Liability and Related Ratios – 2020
Schedule of Changes in the City's Police Retirement Net OPEB Liability and Related Ratios – 2020
Schedule of Changes in the City's Retiree Medical Plan 2 Total OPEB Liability and Related Ratios not held in trust – 2020
Other Postemployment Benefit – Schedule of Employer Contributions – Firefighters' Pension and Police Pension – 2020
Schedule of Investment Returns for OPEB held in trust – Fire OPEB and Police OPEB – 2020
Notes to the Required Supplementary Information – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020
Schedule for General Fund Accounts Balance Sheet – 2020
Schedule of General Fund Accounts Statement of Revenues, Expenditures, and Changes in Fund Balances – 2020
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – each fund included in the General Fund Accounts – 2020

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, 2020. 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 and deferred outflows exceeded its liabilities and deferred inflows by \$2.2 billion (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$2.2 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 \$74.0 million is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$21.6) 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 \$238.7 million this year, a decrease of \$18.5 million from the prior year. Revenues increased by \$5.1 million overall. Tax revenue increased by \$0.9 million. Investment earnings decreased by \$5.1 million due to a large unrealized gain recognized in the prior period. Intergovernmental revenue, licenses and permits, charges for service, fines and miscellaneous revenues increased by \$9.3 million. Other financing sources decreased by \$7.1 million. This last category of funding, which includes net bond proceeds (bond proceeds less the escrow payment for the bond refunding), 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.

Taxes	\$ 0.9 million
Licenses & Permits	\$ (0.4) million
Intergovernmental	\$ 16.8 million
Charges for Service	\$ (4.7) million
Fines & Forfeitures	\$ (1.3) million
Miscellaneous	\$ (1.1) million
Investment earnings	\$ (5.1) million
Other Financing Sources	\$ (7.1) million

- At the end of the current fiscal year, the fund balance for the General Fund totaled \$56.0 million, excluding the nonspendable and restricted categories, which is 29.4% of General Fund expenditures excluding transfers.
- Overall, the City maintained a relatively strong financial position during the COVID-19 pandemic. The uncertainty of the long-term financial impact of the pandemic will require the City to continuously review and restructure programs to ensure the delivery of the most needed services in the most efficient and effective manner.

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, deferred outflows, liabilities, and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

The Schedule of Revenues, Expenditures and Changes in Fund Balance budgetary comparisons (budget to actual) are included in the Required Supplementary Information for the major governmental funds. These schedules demonstrate compliance with the City's adopted 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 custodial 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 \$2,239.3 million as shown below.

	Governmental Activities		Business-Type Activities		Total	
Summary of Net Position (in thousands)	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	364,624	384,188	168,781	203,672	533,405	587,860
Capital assets	1,619,884	1,594,604	1,011,789	966,192	2,631,673	2,560,796
Total assets	1,984,508	1,978,792	1,180,569	1,169,864	3,165,077	3,148,656
DEFERRED OUTFLOWS	36,061	39,738	16,093	22,393	52,154	62,131
Total assets	2,020,569	2,018,530	1,196,662	1,192,257	3,217,231	3,210,787
LIABILITIES						
Current liabilities	31,359	27,278	9,729	15,448	41,087	42,726
Long term liabilities	486,288	505,203	359,594	373,969	845,883	879,172
Total liabilities	517,647	532,481	369,323	389,417	886,970	921,898
DEFERRED INFLOWS	58,288	67,937	32,718	30,937	91,006	98,874
Total liabilities	575,935	600,418	402,041	420,354	977,976	1,020,772
NET POSITION						
Net investment in capital assets	1,438,067	1,430,900	748,787	693,161	2,186,855	2,124,061
Restricted	73,989	71,212	-	-	73,989	71,212
Unrestricted	(67,423)	(84,000)	45,834	78,742	(21,589)	(5,259)
Total net position	1,444,633	1,418,112	794,622	771,903	2,239,255	2,190,015

The City continues to maintain a healthy current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 11.6 and 17.4 for business type activities. For the City overall, the current ratio is 13.0. We consider these ratios to be very strong.

Governmental Activities

Net position increased by \$26.5 million for governmental activities and is attributable to a large unrealized gain on investments recovering from the loss reported in the prior period and lost containment efforts due to the COVID-19 pandemic.

Business-Type Activities

The \$22.7 million increase in business activities' net position is primarily attributable to revenues exceeding expenses in the Water/Sewer fund and an increase in capital assets.

It should be noted that 99.6% 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 94.2% 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 97.7% of the City's total net position.

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

	Governmental Activities		Business-Type Activities		Total	
Change in Net Position (in thousands)	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	34,357	39,430	256,722	255,143	291,079	294,573
Operating grants and contributions	27,262	15,396	396	12	27,657	15,408
Capital grants and contributions	12,422	6,725	244	2,031	12,666	8,756
General revenues						
Taxes	234,722	233,177	-	-	234,722	233,177
Interest and investment Earnings	17,483	23,750	934	790	18,417	24,540
Total revenues	326,245	318,477	258,296	257,976	584,541	576,454
EXPENSES						
General government	(28,068)	(31,886)	-	-	(28,068)	(31,886)
Judicial	(4,770)	(4,400)	-	-	(4,770)	(4,400)
Public safety	(132,444)	(120,773)	-	-	(132,444)	(120,773)
Transportation	(65,293)	(60,288)	-	-	(65,293)	(60,288)
Economic environment	(12,674)	(15,975)	-	-	(12,674)	(15,975)
Social services	(17,759)	(14,106)	-	-	(17,759)	(14,106)
Culture and recreation	(29,478)	(39,936)	-	-	(29,478)	(39,936)
Interest on long term debt	(9,644)	(9,798)	-	-	(9,644)	(9,798)
Water/Sewer	-	-	(136,020)	(132,871)	(136,020)	(132,871)
Solid Waste	-	-	(81,560)	(77,968)	(81,560)	(77,968)
Other business activities	-	-	(9,899)	(9,859)	(9,899)	(9,859)
Total expenses	(300,129)	(297,163)	(227,479)	(220,698)	(527,607)	(517,861)
Excess (deficiency) of revenues over expenses before contributions & transfers	26,117	21,315	30,817	37,278	56,934	58,593

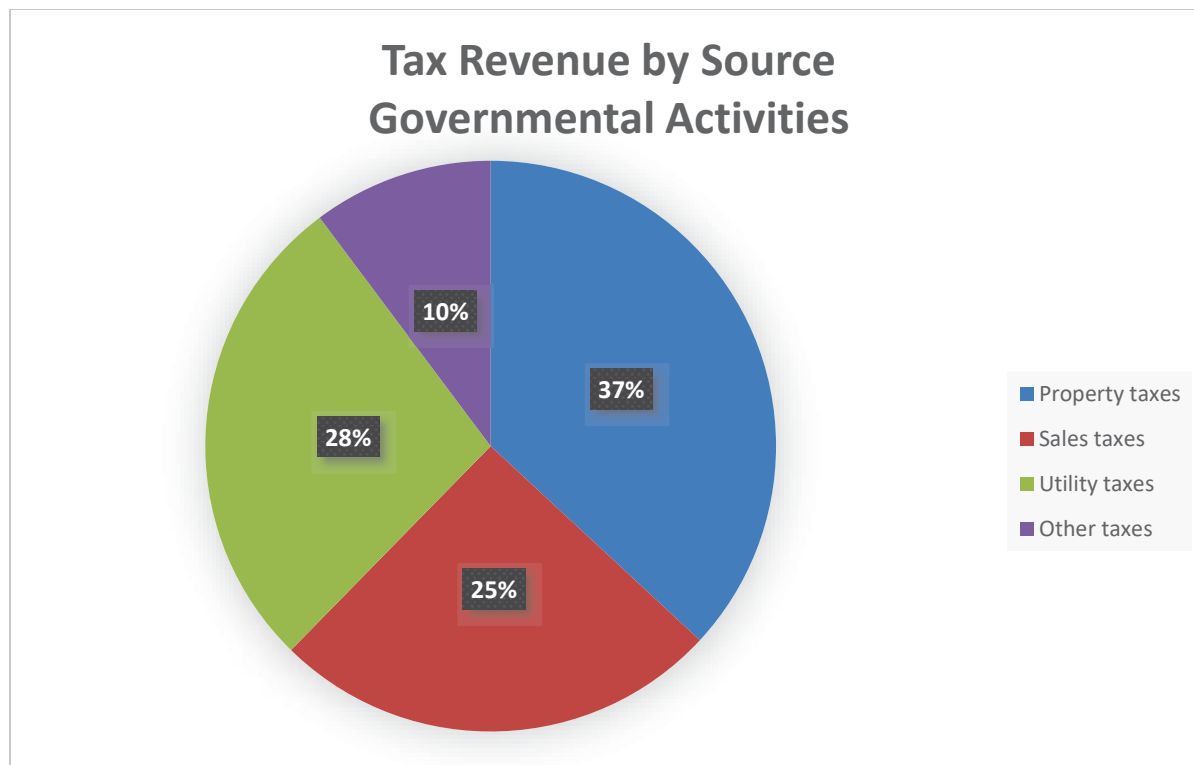
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Transfers	7,485	6,662	(7,485)	(6,662)	-	-
Increase (decrease) in net position	33,602	27,977	23,332	30,616	56,934	58,593
Prior period adjustment	(7,080)	(406)	(613)	(6,765)	(7,693)	(7,171)
Net Position-January 1	1,418,112	1,390,541	771,903	748,052	2,190,015	2,138,593
Net Position-December 31	1,444,633	1,418,112	794,622	771,903	2,239,255	2,190,015

GOVERNMENTAL REVENUES

The City is heavily reliant on three types of taxes to support governmental operations—more than 72.4% of the governmental activities revenue is derived from taxes. Charges for services represented 9.9% of these revenues, grants and contributions represented 12.2% and interest earnings made up the remaining 5.4%.

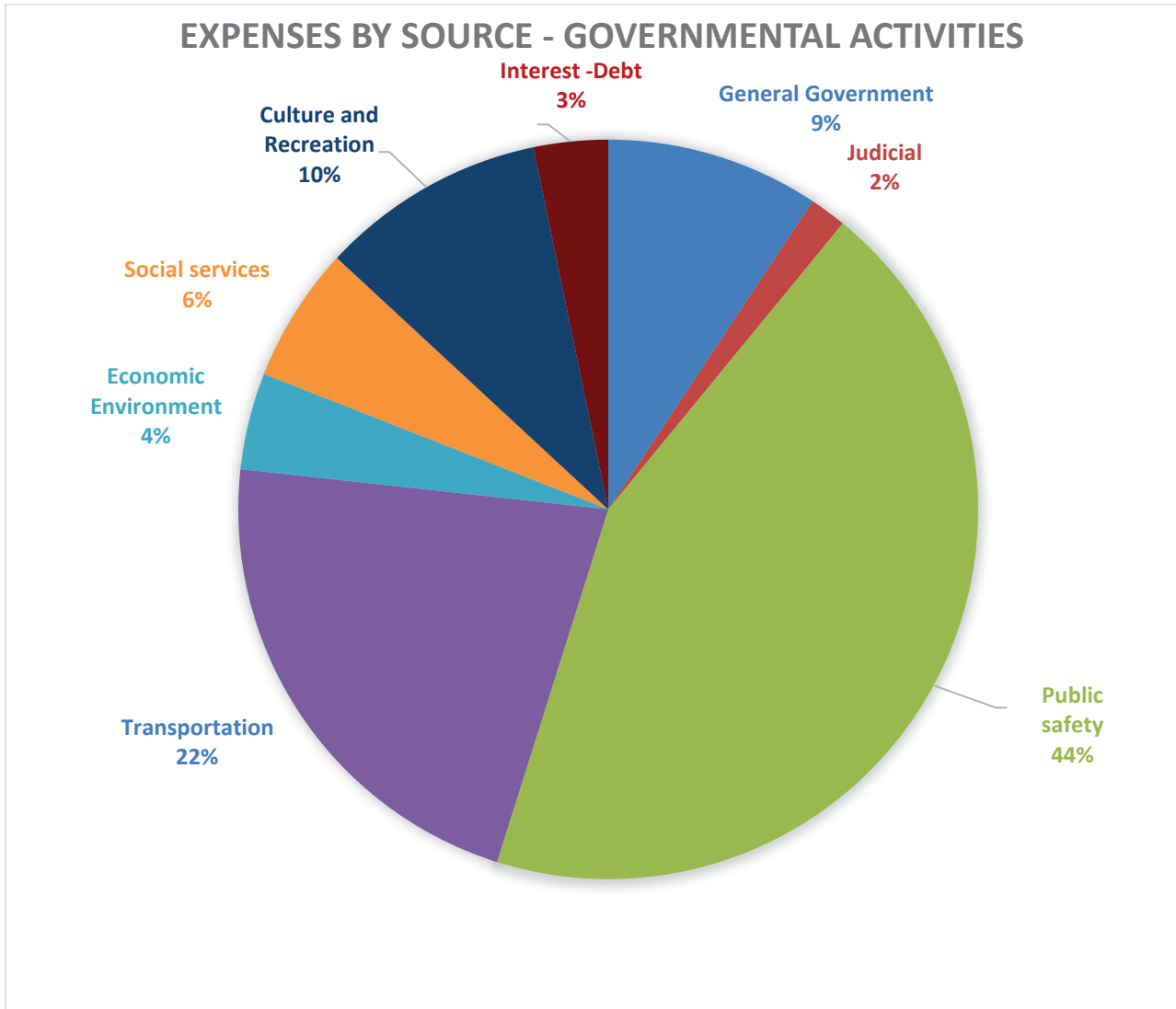
A breakdown of tax revenue is shown below.



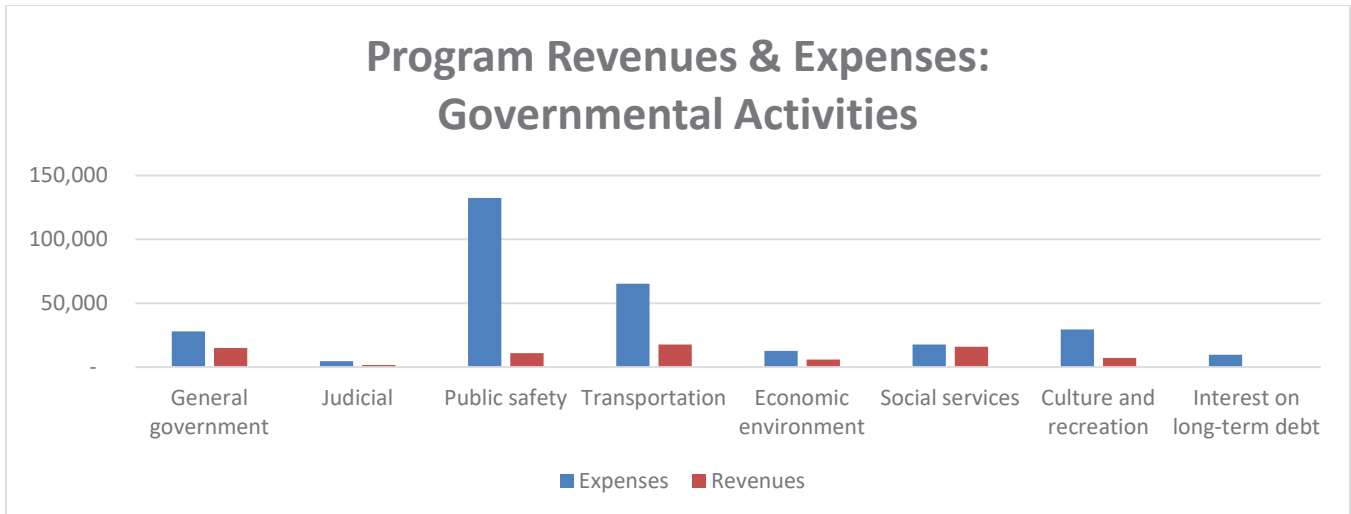
For governmental activities, program revenues cover approximately 24.7% of governmental operating expenses. This means that the government's taxpayers and the City's other general revenues cover 75.3% of the governmental activities. As a result, the general economy and the local businesses have a major 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 fell short of program expenses in all functions in 2020. Program revenues covered program expenses only in the Social Services function in 2019. Program revenues have not covered program expenses in any year prior to 2019, as these expenditures by the city benefit all city residents and businesses.

BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

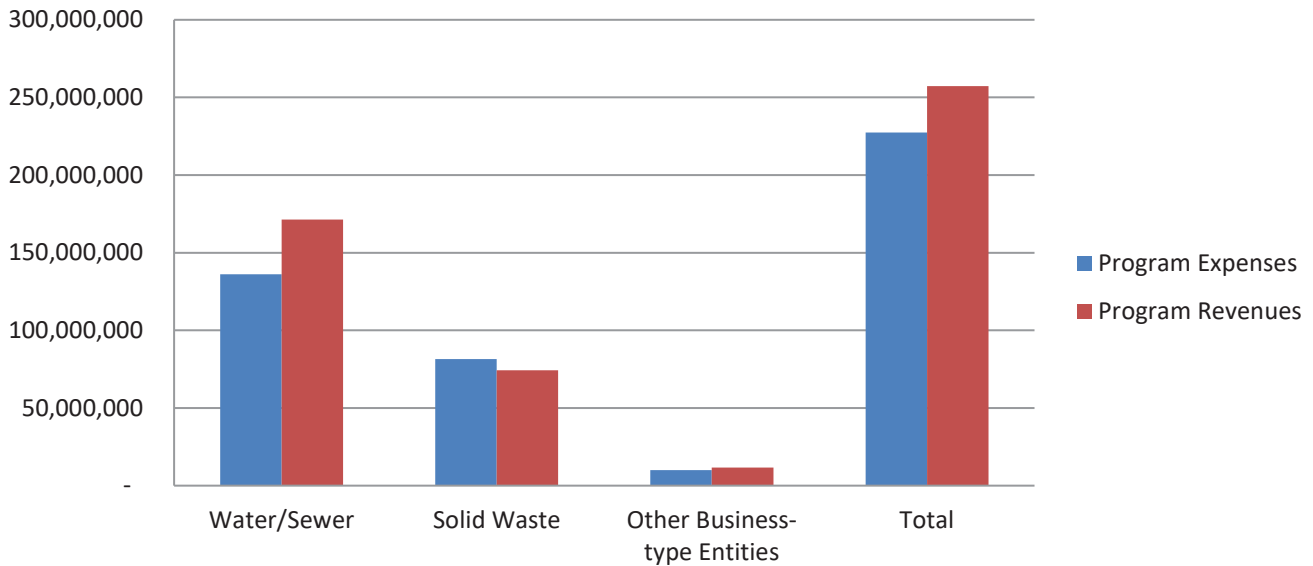
For all enterprise funds, the City reports a current ratio of 17.4, which is a healthy ratio. The business-type activities report capitalized assets of \$1,011.8 million, which provide a variety of services to the citizens of Spokane as well as some populations outside the City limits.

The business-type activities report \$45.8 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 \$1.4 million or an increase of 0.6% over the prior year while operating expenses increased by \$4.5 million or 2.1% over 2019. As a result, net operating income was \$13.6 million compared to \$16.7 million in 2019.

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

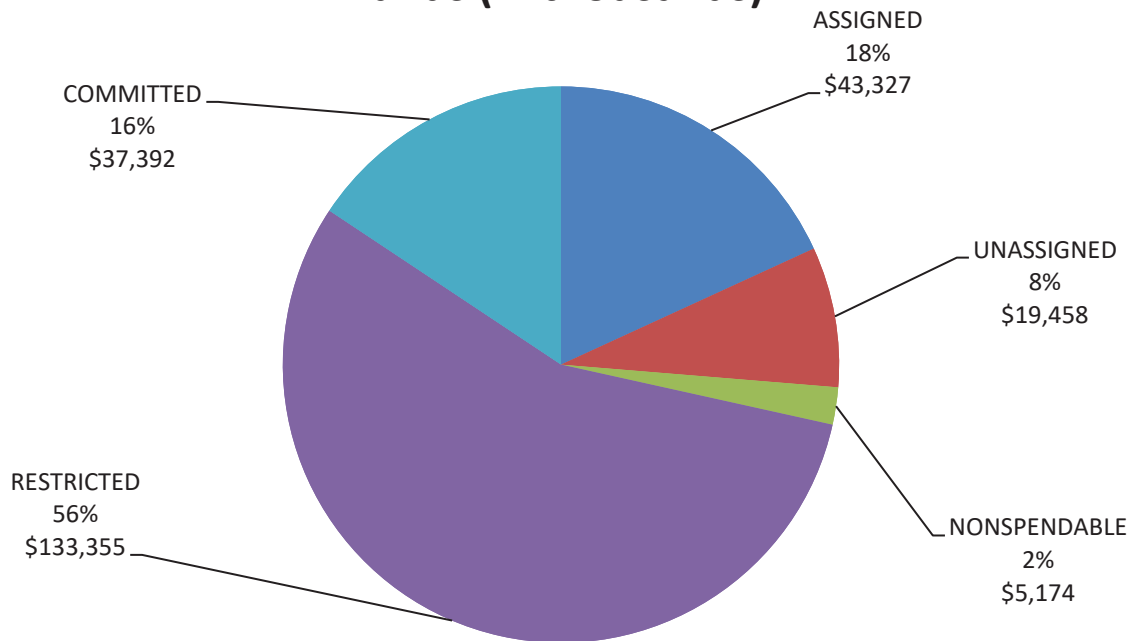


Financial Analysis of the City's Funds

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 \$238.7 million. Of this total, \$43.3 million is assigned and \$19.5 million is unassigned. This unassigned amount represents approximately 8.2% 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 \$5.2 million "not in spendable form" for items that are not expected to be converted to near-term cash such as internal loans; \$133.4 million restricted by external parties, including grantors and creditors, and \$37.4 million committed by the City's elected officials for specific purposes.

Breakdown of 2020 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 decreased by \$ 4.0 million in 2020.

Committed, assigned and unassigned fund balance in the General Fund was \$56.0 million, which as a percentage of expenditures was 29.4% of annual operations, compared with 33.6% at the end of 2019. 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 2020 reflects the results of this commitment. The steps taken to achieve this result and how the reserve has been managed during the current economic situation are discussed in the *Budgetary Highlights* section of this analysis.

The Proprietary Funds

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

The **Water/Sewer Fund** - The water/sewer fund reports net position of \$734.0 million, with a \$695.1 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 3.7, which provides this fund with adequate resources to cover cash flow issues.

The water/sewer fund reported operating income of \$21.2 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 2020 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 \$37.3 million. The net investment in capital assets (i.e., the book value of the capital assets less related debt) is \$48.5 million with the remainder being unrestricted net position. The current ratio for this fund is 6.6, which provides this fund with adequate resources to cover cash flow requirements.

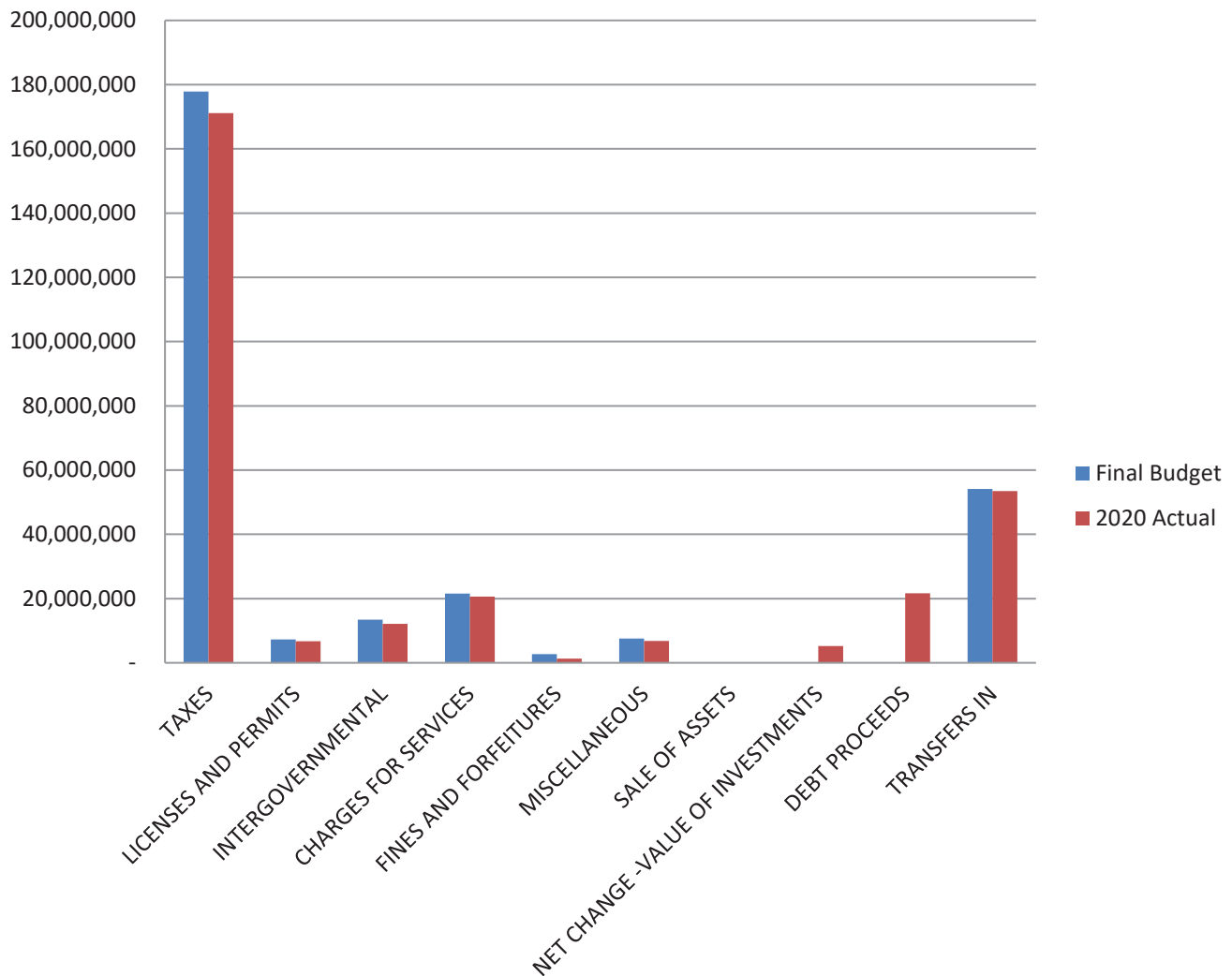
The solid waste fund reported an operating loss of \$8.5 million. Depreciation expense was \$9.4 million for the Solid Waste Fund, which accounted for 100% of its operating loss. It is a fact that the rate revenue increases have not been sufficient to cover all of the current operating expenses of the Department, including depreciation.

Budgetary Highlights

The **General Fund** – In 2020, the original General Fund Revenue budget (excluding transfers and other financing sources) was \$5.0 million less than the 2019 actual results. In addition, the 2020 original expenditure budget (excluding transfers and other financing uses) was \$3.9 million more than the 2019 actual results. There was an unfavorable budget variance in all revenues due to the COVID-19 pandemic. As discussed earlier, investment earnings for the General Fund have decreased by \$5.1 million due to a large loss in the market valuation of securities held in the investment portfolio.

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 2020; the amendments resulted in a 3.5% change between the original and final budget for revenues, and a 5.1% change for expenditures.

General Fund 2020 Revenues Final Budget vs Actual

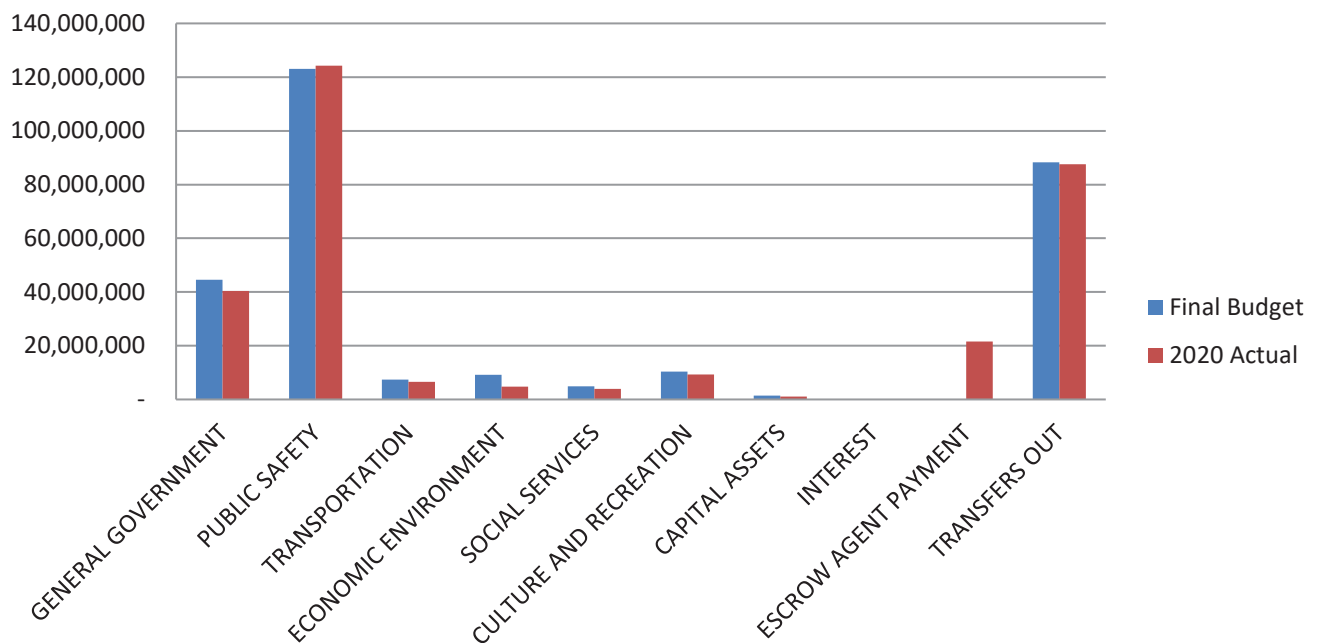


The actual revenues (including transfers in) were approximately \$0.3 million less than the actual expenditures (including transfers out), or 0.1% excess of expenditures over revenues.

Excluding the effects of transfers in/out and escrow payments, the City had positive expenditure variances of \$10.6 million between the final budget and the actual amounts in all categories except Public Safety and interest, which realized a \$1.2 million and \$0.06 million unfavorable variance, respectively. 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 2020 Expenses Final Budget vs Actual



Capital Assets and Debt Administration

Capital assets

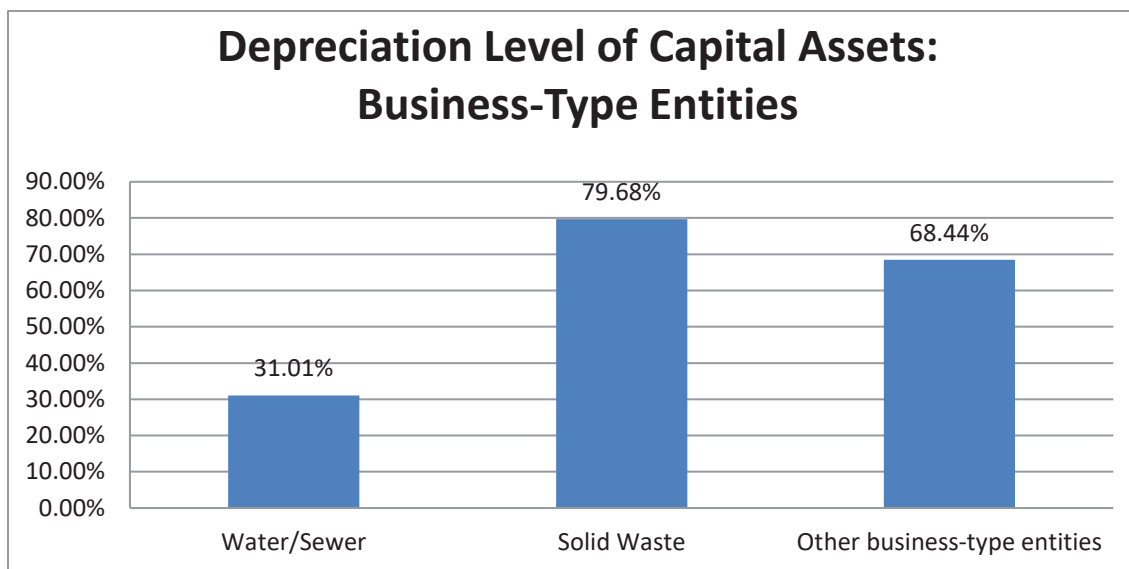
The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2020, was \$1,438.1 million and \$748.8 million, respectively. See Note 4 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

The following table provides a summary of capital assets.

	Governmental Activities		Business-Type Activities		Total	
Summary of Capital Assets (in thousands)	2020	2019	2020	2019	2020	2019
NON-DEPRECIABLE ASSETS						
Land	\$ 843,205	\$ 839,604	\$ 15,562	\$ 14,176	\$ 858,768	\$ 853,779
Construction in progress	65,768	32,459	184,954	179,859	250,722	212,318
Total non-depreciable assets	908,973	872,062	200,516	194,035	1,109,489	1,066,097
DEPRECIABLE ASSETS						
Buildings	118,617	115,532	376,182	338,505	494,799	454,036
Other improvements	115,092	107,626	116,886	111,027	231,978	218,653
Machinery and equipment	113,112	109,502	177,185	171,316	290,297	280,818
Infrastructure	1,150,218	1,137,645	773,536	752,096	1,923,754	1,889,741
Intangible assets	6,428	6,071	114	114	6,542	6,184
Total depreciable assets	1,503,467	1,476,376	1,443,903	1,373,057	2,947,369	2,849,433
Total cost of capital assets	2,412,440	2,348,438	1,644,419	1,567,092	4,056,859	3,915,530
ACCUMULATED DEPRECIATION	(792,556)	(753,835)	(632,630)	(600,899)	(1,425,186)	(1,354,734)
Total book value of capital assets	\$ 1,619,884	\$ 1,594,604	\$ 1,011,789	\$ 966,192	\$ 2,631,672	\$ 2,560,796
Percentage depreciated	53%	51%	44%	44%	48%	48%

At December 31, 2020 and December 31, 2019, the depreciable capital assets for governmental activities were 53% and 51% depreciated, respectively.

With the City's business-type activities, 44% of the asset values were depreciated at both December 31, 2020 and December 31, 2019. 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 \$509.4 million. Of this amount, \$224.3 million or 43.9% 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 \$263.0 million is supported by pledged revenues generated primarily by the business-type activities of the City (revenue bonds and loans from other governments).

During the year, the City retired \$20.9 million or 4.0% of the beginning outstanding borrowed debt balance. In addition, the City refunded \$21,545,000 in outstanding borrowed debt in order to obtain more favorable terms through a direct borrowing.

	Governmental Activities		Business-Type Activities		Total	
Outstanding Borrowings	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 209,568,846	\$ 237,845,873	-	-	209,568,846	\$ 237,845,873
Deferred amounts	14,748,405	15,056,315	-	-	14,748,405	15,056,315
Direct borrowings	21,601,900	-	-	-	21,601,900	-
Capital leases	-	-	361,595	68,432	361,595	68,432
Revenue bonds	-	-	142,880,000	150,080,000	142,880,000	150,080,000
Deferred amounts	-	-	14,511,470	15,887,822	14,511,470	15,887,822
Other government/bank loans	489,388	602,304	105,248,527	106,995,142	105,737,916	107,597,446
Total	\$ 246,408,539	\$ 253,504,492	\$ 263,001,592	\$ 273,031,395	\$ 509,410,131	\$ 526,535,888

Long-term debt decreased by \$17.1 million during 2020, which was the result normal debt payments although the City retired \$20.9 million in outstanding debt that was refunded with a direct borrowing.

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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 59,533,902	\$ 18,280,558	\$ 77,814,460
Equity in pooled investments	189,164,916	64,391,899	253,556,815
Receivables (net)	54,473,797	34,965,386	89,439,183
Internal balances	(24,581,092)	24,581,092	-
Inventories	2,891,669	5,951,120	8,842,789
Prepays	8,200	3,209	11,409
Net Pension Asset	61,452,699	-	61,452,699
Restricted Assets:			
Receivables, noncurrent	21,680,302	19,493	21,699,795
Equity in pooled investments, restricted	-	20,587,780	20,587,780
Capital Assets (Note 4):			
Non-depreciable assets	908,973,225	200,516,183	1,109,489,408
Depreciable assets, net of depreciation	710,910,348	811,272,714	1,522,183,062
Total capital assets, net of depreciation	1,619,883,573	1,011,788,897	2,631,672,470
Total Assets	1,984,507,966	1,180,569,434	3,165,077,400
DEFERRED OUTFLOWS			
Pensions	35,252,857	15,771,439	51,024,296
Opeb	807,853	321,413	1,129,266
Total deferred outflows	36,060,710	16,092,852	52,153,562
Total Assets Plus Deferred Outflows	2,020,568,676	1,196,662,286	3,217,230,962
LIABILITIES			
Accounts payable and accrued expenses	15,035,289	6,547,611	21,582,900
Unearned revenue	43,910	-	43,910
Other liabilities, current	16,279,538	3,181,079	19,460,617
Long term liabilities (Note 9):			
Due within one year	27,064,837	15,083,984	42,148,821
Due within more than one year	459,223,542	344,510,197	803,733,739
Total Liabilities	517,647,116	369,322,871	886,969,987
DEFERRED INFLOWS			
Pensions	54,610,461	31,752,672	86,363,133
Sale of Future Revenue	10,350	221,310	231,660
Bond refundings	1,975,270	-	1,975,270
Opeb	1,691,985	743,783	2,435,768
Total deferred inflows	58,288,066	32,717,765	91,005,831
Total Liabilities Plus Deferred Inflows	575,935,182	402,040,636	977,975,818
NET POSITION			
Net investment in capital assets	1,438,067,357	748,787,305	2,186,854,662
Restricted for:			
Capital projects	32,810,767	-	32,810,767
Debt service	8,839,928	-	8,839,928
Grants/other	28,413,036	-	28,413,036
Impact Fees	172,705	-	172,705
Police and firefighters' pension	1,940,245	-	1,940,245
Public Safety & Crime Reduction	1,623,894	-	1,623,894
Other	188,729	-	188,729
Unrestricted	(67,423,167)	45,834,345	(21,588,822)
Total Net Position	\$ 1,444,633,494	\$ 794,621,650	\$ 2,239,255,144

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, 2020

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	\$ 28,067,770	\$ 7,821,747	\$ 7,153,949	\$ -	\$ (13,092,074)	\$ -	\$ (13,092,074)
Judicial	4,769,626	1,421,815	253,105	-	(3,094,706)	-	(3,094,706)
Public safety	132,443,675	8,874,335	1,759,694	181,043	(121,628,603)	-	(121,628,603)
Transportation	65,292,683	8,298,748	86,566	9,214,246	(47,693,123)	-	(47,693,123)
Economic environment	12,673,905	713,475	4,533,750	750,000	(6,676,680)	-	(6,676,680)
Social services	17,758,714	1,831,605	12,797,064	1,295,668	(1,834,377)	-	(1,834,377)
Culture and recreation	29,477,851	5,394,977	677,666	981,086	(22,424,122)	-	(22,424,122)
Interest on long-term debt	9,644,289	-	-	-	(9,644,289)	-	(9,644,289)
Total governmental activities	300,128,513	34,356,702	27,261,794	12,422,043	(226,087,974)	-	(226,087,974)
Business-Type Activities:							
Water/Sewer	136,020,450	170,869,105	253,156	243,912	-	35,345,723	35,345,723
Solid Waste	81,559,804	74,276,948	96,793	-	-	(7,186,063)	(7,186,063)
Other business-type activities	9,898,563	11,576,415	45,682	-	-	1,723,534	1,723,534
Total business-type activities	227,478,817	256,722,468	395,631	243,912	-	29,883,194	29,883,194
Total government	\$ 527,607,330	\$ 291,079,170	\$ 27,657,425	\$ 12,665,955	(226,087,974)	29,883,194	(196,204,780)
General revenues:							
Property taxes					86,619,529	-	86,619,529
Sales taxes					59,683,634	-	59,683,634
Utility taxes					64,416,999	-	64,416,999
Other taxes					24,001,696	-	24,001,696
Investment earnings					17,482,883	934,022	18,416,905
Transfers					7,485,001	(7,485,001)	-
Total general revenues and transfers					259,689,742	(6,550,979)	253,138,763
Change in Net Position					33,601,768	23,332,215	56,933,983
Net Position - beginning					1,418,111,977	771,902,683	2,190,014,660
Prior period adjustment					(7,080,251)	(613,248)	(7,693,499)
Net Position - beginning (restated)					1,411,031,726	771,289,435	2,182,321,161
Net Position - ending					\$ 1,444,633,494	\$ 794,621,650	\$ 2,239,255,144

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

**City of Spokane, Washington
Balance Sheet
Governmental Funds
December 31, 2020**

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 6,537,957	\$ 31,180,005	\$ 37,717,962
Deposits with fiscal agents/trustees	10,226	109,301	119,527
Equity in pooled investments	31,177,289	105,158,773	136,336,062
Taxes receivable	18,175,267	5,870,855	24,046,122
Special assessment receivable	-	552,860	552,860
Accounts receivable	3,140,512	8,275,303	11,415,815
Interest receivable	491,367	189,237	680,604
Due from other funds	9,651,173	3,932,384	13,583,557
Interfund loan receivable	8,971,617	3,142,034	12,113,651
Due from other governments	658,637	11,229,478	11,888,115
Advances to other funds	4,064,187	11,973,696	16,037,883
Inventories	-	1,101,979	1,101,979
Prepays	7,000	1,200	8,200
Notes/contract receivable (non-current)	98,315	21,581,987	21,680,302
Total Assets	82,983,547	204,299,092	287,282,639
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets Plus Deferred Outflows of Resources	\$ 82,983,547	\$ 204,299,092	\$ 287,282,639
LIABILITIES			
Accounts/vouchers payable	\$ 3,418,115	\$ 7,370,654	\$ 10,788,769
Due to other funds	2,483,281	5,333,145	7,816,426
Due to other governments	892,610	291,897	1,184,507
Revenues collected in advance	-	43,910	43,910
Interfund loan payable	-	7,905,129	7,905,129
Other accrued liabilities	13,269,924	468,472	13,738,396
Other current liabilities	678,195	1,224,899	1,903,094
Total Liabilities	20,742,125	22,638,106	43,380,231
DEFERRED INFLOWS OF RESOURCES			
Property taxes	1,672,636	584,851	2,257,487
Unavailable Revenues Special Assessments	-	552,860	552,860
Unavailable Revenues Impact Fees	-	2,260,889	2,260,889
Revenues not available	-	124,637	124,637
Total Deferred Inflows of Resources	1,672,636	3,523,237	5,195,873
Total Liabilities Plus Deferred Inflows of Resources	22,414,761	26,161,343	48,576,104
Fund Balance			
Nonspendable	4,071,187	1,103,179	5,174,366
Restricted - capital projects	-	91,814,900	91,814,900
Restricted - police & firefighters' pension	-	1,940,245	1,940,245
Restricted- public safety & crime reduction	-	1,623,894	1,623,894
Restricted - grants	489,060	27,923,870	28,412,930
Restricted - impact fees	-	172,705	172,705
Restricted - debt service	-	8,839,928	8,839,928
Restricted - Other	-	550,208	550,208
Committed	7,654,796	29,737,543	37,392,339
Assigned	28,851,509	14,475,336	43,326,845
Unassigned	19,502,234	(44,059)	19,458,175
Total Fund Balance	60,568,786	178,137,749	238,706,535
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 82,983,547	\$ 204,299,092	\$ 287,282,639

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 2020

Total Fund Balance of Governmental Funds	\$	238,706,535
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	901,191,690	
Depreciable assets	1,393,145,081	
Less: Accumulated depreciation	(735,831,192)	
Total capital assets		1,558,505,579
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.		
		61,452,699
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	30,478,533	
Opeb	738,804	31,217,337
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	7,447,038	
Special Assesments	552,860	
Impact Fees	2,260,889	
Grants	-	
Revenues Collected for future sales	124,637	
Refunding debt	(1,975,270)	
Opeb	(1,532,200)	
Pensions	(44,998,304)	(38,120,350)
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.		
		38,089,116
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	(209,568,846)	
Notes from Direct Borrowings	(21,601,900)	
Deferred amounts on bond issuance	(14,748,405)	
Due to other governments	(489,388)	
Revitalization Areas	(2,520,386)	
Pollution Remediation	(1,620,000)	
OPEB (other postemployment benefits) liability	(93,351,437)	
Net pension obligation	(84,308,607)	
Accrued interest on bonds	(611,513)	
Compensated absences	(16,396,940)	
Total long term liabilities		(445,217,422)
Net Position of Governmental Activities	\$	1,444,633,494

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, 2020

	General Fund	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 171,100,548	\$ 51,312,273	\$ 222,412,821
Licenses and permits	6,700,210	765,315	7,465,525
Intergovernmental	12,151,178	39,310,107	51,461,285
Charges for services	20,661,991	11,174,967	31,836,958
Fines and forfeitures	1,286,914	3,948,297	5,235,211
Miscellaneous	6,809,691	10,248,656	17,058,347
Net inc(dec) in market value of investments	5,268,917	3,798,012	9,066,929
Total Revenues	223,979,449	120,557,627	344,537,076
EXPENDITURES			
Current:			
General government	40,387,257	6,160,977	46,548,234
Public safety	124,276,527	16,350,394	140,626,921
Transportation	6,601,266	33,466,337	40,067,603
Economic environment	4,722,882	8,787,429	13,510,311
Social services	3,943,500	13,569,260	17,512,760
Culture and recreation	9,313,711	14,838,378	24,152,089
Capital outlays	1,057,751	52,105,978	53,163,729
Debt service:			
Principal	-	7,143,147	7,143,147
Interest	64,515	9,682,476	9,746,991
Total Expenditures	190,367,409	162,104,376	352,471,785
Excess of Revenues Over (Under) Expenditures	33,612,040	(41,546,749)	(7,934,709)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	133,204	670,522	803,726
Proceeds of bonds issued	21,601,900	-	21,601,900
Payment to escrow agent for refunded bond debt	(21,545,000)	-	(21,545,000)
Transfers in	184,608	42,011,676	42,196,284
Transfers out	(34,321,775)	(10,718,174)	(45,039,949)
Total Other Financing Sources (Uses)	(33,947,063)	31,964,024	(1,983,039)
Net change in fund balance	(335,023)	(9,582,725)	(9,917,748)
Fund Balance - beginning	64,519,175	192,643,237	257,162,412
Prior Period Adjustment	(3,615,366)	(4,922,763)	(8,538,129)
Fund balance - ending	\$ 60,568,786	\$ 178,137,749	\$ 238,706,535

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, 2020

Change in fund balance - governmental funds **\$ (9,917,748)**
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	57,622,436	
Depreciation expense	(34,156,733)	
		23,465,703

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	(3,271,125)	
Less accumulated depreciation	1,642,958	
		(1,628,167)

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. 1,438,743

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 debt with refunding	(56,900)	
Principal repayments - general obligation debt	6,732,027	
Principal repayments - due to other governments	112,916	
Principal repayments - Revitalization Areas	298,204	7,086,247

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	(1,613,752)	
(Increase) decrease in compensated absences	(1,220,512)	
(Increase) decrease in deferred amounts on existing bond issuance	307,910	
(Increase) decrease in accrued interest	102,702	
(Increase) decrease in Pension Expense	10,520,251	
(Increase) decrease in refunding amortization	365,948	8,462,547

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.

	4,694,443	
Change in net position of governmental activities	\$ 33,601,768	

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, 2020

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,210,953	\$ 2,390,728	\$ 2,627,962	\$ 18,229,643	\$ 19,892,056
Deposits with fiscal agents	50,915	-	-	50,915	1,804,357
Equity in pooled investments	48,459,536	10,707,352	5,225,011	64,391,899	52,828,854
Taxes Receivable	-	-	-	-	-
Liens Receivable	-	-	602,716	602,716	-
Accounts receivable	15,153,445	8,287,468	211,046	23,651,959	361,507
Interest receivable	64,011	22,263	2,943	89,217	40,963
Due from other funds	849,430	292,992	176,278	1,318,700	3,388,425
Interfund loan receivable	1,926,651	808,478	140,931	2,876,060	1,596,624
Due from other governments	10,597,692	22,573	1,229	10,621,494	47,138
Inventories	3,558,744	2,322,418	69,958	5,951,120	1,789,690
Prepayments	-	3,209	-	3,209	251,122
Equity in pooled investments, restricted	9,055,347	11,532,433	-	20,587,780	-
Total current assets	102,926,724	36,389,914	9,058,074	148,374,712	82,000,736
Noncurrent assets:					
Non depreciable capital assets:					
Land	12,495,858	1,777,194	1,289,224	15,562,276	6,742,065
Construction in progress	184,197,940	755,967	-	184,953,907	1,039,469
Depreciable capital assets:					
Property, plant, and equipment	417,848,571	235,963,181	16,441,170	670,252,922	93,608,064
Infrastructure	773,535,816	-	-	773,535,816	10,285,361
Capitalized software	-	-	-	-	6,428,295
Intangible assets	113,766	-	-	113,766	-
Less accumulated depreciation	(430,450,350)	(190,044,824)	(12,134,616)	(632,629,790)	(56,725,260)
Total capital assets	957,741,601	48,451,518	5,595,778	1,011,788,897	61,377,994
Other noncurrent assets					
Other noncurrent assets	-	19,493	-	19,493	-
Advances to other funds	7,342,103	3,080,956	537,063	10,960,122	6,084,437
Total noncurrent assets	965,083,704	51,551,967	6,132,841	1,022,768,512	67,462,431
Total assets	1,068,010,428	87,941,881	15,190,915	1,171,143,224	149,463,167
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	9,176,315	5,071,990	1,523,134	15,771,439	4,774,324
Opeb Outflows	205,555	93,621	22,237	321,413	69,049
Total deferred outflows of resources	9,381,870	5,165,611	1,545,371	16,092,852	4,843,373
Total assets plus deferred outflows of resources	1,077,392,298	93,107,492	16,736,286	1,187,236,076	154,306,540

City of Spokane, Washington
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
LIABILITIES					
Current Liabilities:					
Accounts payable	3,847,402	2,573,561	126,648	6,547,611	2,355,647
Claims and judgments payable	-	-	-	-	16,529,043
Compensated absences	236,524	62,989	69,713	369,226	126,278
Capital lease payable	-	-	73,258	73,258	-
Due to other funds	6,875,954	2,206,209	185,574	9,267,737	1,206,519
Interfund loan payable	-	-	288,021	288,021	41,475,627
Due to other governments	5,616,847	-	-	5,616,847	94,852
Revenue bonds payable	9,055,347	-	-	9,055,347	-
Accrued interest	590,909	-	194	591,103	27,776
Other accrued liabilities	573,076	374,631	87,447	1,035,154	287,824
Other current liabilities	1,085,447	295,412	143,266	1,524,125	322,448
Total current liabilities	27,881,506	5,512,802	974,121	34,368,429	62,426,014
Noncurrent Liabilities:					
Revenue bonds payable	148,336,123	-	-	148,336,123	-
Due to other government units	99,662,376	-	-	99,662,376	-
Compensated absences	3,955,423	1,992,936	553,446	6,501,805	2,221,570
Noncurrent capital lease payable	-	-	288,338	288,338	-
Net pension liability	42,459,878	23,468,690	7,047,721	72,976,289	22,091,354
Total opeb liability	2,127,309	969,731	230,154	3,327,194	714,224
Accrued landfill postclosure liability	-	13,418,075	-	13,418,075	-
Total noncurrent liabilities	296,541,109	39,849,432	8,119,659	344,510,200	25,027,148
Total Liabilities	324,422,615	45,362,234	9,093,780	378,878,629	87,453,162
DEFERRED INFLOWS OF RESOURCES					
Pensions	18,474,693	10,211,449	3,066,530	31,752,672	9,612,157
Opeb	475,675	216,648	51,460	743,783	159,785
Sale of Future Revenue	-	-	221,310	221,310	10,350
Total deferred inflows of resources	18,950,368	10,428,097	3,339,300	32,717,765	9,782,292
Total liabilities plus deferred inflows of resources	343,372,983	55,790,331	12,433,080	411,596,394	97,235,454
NET POSITION					
Net investments in capital assets	695,101,603	48,451,519	5,234,183	748,787,305	61,377,994
Restricted for unspent bond proceeds	-	-	-	-	-
Unrestricted	38,917,712	(11,134,358)	(930,977)	26,852,377	(4,306,908)
Total Net Position	\$ 734,019,315	\$ 37,317,161	\$ 4,303,206	775,639,682	\$ 57,071,086
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				18,981,968	
Net position of business-type activities				<u>\$ 794,621,650</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, 2020

	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	\$ 152,284,889	\$ 73,472,334	\$ 11,322,725	\$ 237,079,948	\$ 90,428,865
Total operating revenues	152,284,889	73,472,334	11,322,725	237,079,948	90,428,865
OPERATING EXPENSES					
Salaries and wages	26,568,670	15,050,345	5,472,866	47,091,881	15,339,037
Personnel benefits	8,162,959	5,078,563	1,812,889	15,054,411	5,055,640
Supplies	6,968,500	3,021,146	353,842	10,343,488	6,833,850
Other services and charges	62,785,895	48,901,618	2,467,405	114,154,918	15,700,672
Depreciation/amortization	26,040,840	9,404,603	355,770	35,801,213	7,253,410
Risk transfer payments	517,308	539,882	-	1,057,190	10,547,357
Claims processing	-	-	-	-	2,553,309
Payments to claimants and beneficiaries	-	-	-	-	31,969,471
Total operating expenses	131,044,172	81,996,157	10,462,772	223,503,101	95,252,746
Operating Income (Loss)	21,240,717	(8,523,823)	859,953	13,576,847	(4,823,881)
NONOPERATING REVENUES (EXPENSES)					
Interest income	668,658	234,235	31,129	934,022	433,198
Gain (loss) on disposition of capital assets	(814,149)	(161,039)	-	(975,188)	40,630
Interest expense	(6,726,274)	-	(5,640)	(6,731,914)	(885,466)
Other nonoperating revenue	519,756	971,442	785,980	2,277,178	1,684,268
Total nonoperating revenues (expenses)	(6,352,009)	1,044,638	811,469	(4,495,902)	1,272,630
Income (loss) before capital contributions and transfers	14,888,708	(7,479,185)	1,671,422	9,080,945	(3,551,251)
Capital contributions	19,958,093	-	-	19,958,093	1,281,214
Transfers in	1,088,000	50,000	171,136	1,309,136	9,436,804
Transfers out	(7,271,347)	(1,401,440)	(121,350)	(8,794,137)	(694,146)
Total contributions and transfers	13,774,746	(1,351,440)	49,786	12,473,092	10,023,872
Change in Net Position	28,663,454	(8,830,625)	1,721,208	21,554,037	6,472,621
Net Position - beginning	705,923,559	46,193,336	2,581,998	754,698,893	50,599,904
Prior Period Adjustment	(567,698)	(45,550)	-	(613,248)	(1,439)
Net Position - beginning (restated)	705,355,861	46,147,786	2,581,998		50,598,465
Net Position - ending	<u>\$ 734,019,315</u>	<u>\$ 37,317,161</u>	<u>\$ 4,303,206</u>		<u>\$ 57,071,086</u>
			Change in Net Position	21,554,037	
			Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	1,778,178	
			Change in net position of business-type activities	<u>\$ 23,332,215</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, 2020

	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	\$ 151,011,138	\$ 72,894,187	\$ 11,804,709	\$ 235,710,034	\$ 90,147,156
Payments to suppliers for services	(75,394,252)	(52,676,929)	(2,824,267)	(130,895,448)	(68,455,603)
Payments to employees	(33,752,715)	(20,224,319)	(7,471,206)	(61,448,240)	(20,942,829)
Other receipts (payments)	-	-	-	-	(1,439)
Net cash provided (used) by operating activities	41,864,171	(7,061)	1,509,236	43,366,346	747,285
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental sources	165,312	41,828	38,668	245,808	321,861
Other nonoperating sources	110,532	925,904	747,312	1,783,748	1,357,120
Transfers in (out)	(4,811,132)	(1,351,440)	49,786	(6,112,786)	1,500,923
Net cash provided (used) by noncapital financing activities	(4,535,288)	(383,708)	835,766	(4,083,230)	3,179,904
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Proceeds from disposal of capital assets	632,424	3,178	-	635,602	56,624
Proceeds from loans, notes, and lease purchase payable	2,676,578	-	361,595	3,038,173	6,292,172
Capital grants and contributions received	14,191,063	-	-	14,191,063	-
Acquisition and construction of capital assets	(68,874,113)	(5,437,860)	(386,918)	(74,698,891)	(8,030,214)
Principal paid on intergovernmental loans	(5,060,457)	-	(34,039)	(5,094,496)	-
Principal paid on revenue bonds	(7,200,000)	-	(5,446)	(7,205,446)	-
Principal paid on capital leases	-	-	(119,275)	(119,275)	-
Principal paid on interfund loans	-	-	-	-	(5,733,420)
Interest paid on interfund loans	-	-	-	-	(961,376)
Interest paid on revenue bonds	(6,352,529)	-	-	(6,352,529)	-
Interest paid on intergovernmental loans	(1,799,958)	-	-	(1,799,958)	-
Transfers in (out)	2,455,644	-	-	2,455,644	7,281,340
Net cash provided (used) by capital and related financing activities	(69,331,348)	(5,434,682)	(184,083)	(74,950,113)	(1,094,874)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(63,393,899)	(1,485,546)	(1,320,536)	(66,199,981)	(1,951,383)
Proceeds from sales and maturities of investments	87,452,870	6,038,301	320,000	93,811,171	6,208,706
Interest received	711,458	240,583	31,157	983,198	441,757
Net cash provided (used) by investing activities	24,770,429	4,793,338	(969,379)	28,594,388	4,699,080
Net increase (decrease) in cash and cash equivalents	(7,232,036)	(1,032,113)	1,191,540	(7,072,609)	7,531,395
Cash and cash equivalents - January 1	20,442,989	3,422,841	1,436,422	25,302,252	12,360,661
Cash and cash equivalents - December 31	\$ 13,210,953	\$ 2,390,728	\$ 2,627,962	\$ 18,229,643	\$ 19,892,056
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 21,240,717	\$ (8,523,823)	\$ 859,953	\$ 13,576,847	\$ (4,823,881)
Adjustments to Reconcile Operating Income					
Depreciation & amortization	26,040,840	9,404,603	355,770	35,801,213	7,253,410
Prior period adjustment	-	-	-	-	(1,439)
Change in Assets: Decrease (Increase)					
Receivables, net of allowance	(1,251,751)	(578,985)	481,984	(1,348,752)	744,472
Deposits with fiscal agents	-	838	-	838	(29,217)
Inventories	83,718	(397,426)	4,137	(309,571)	(19,069)
Prepayments	-	(3,209)	-	(3,209)	(39,785)
Change in Deferred Outflows : Decrease (Increase)	3,518,168	2,092,750	689,081	6,299,999	2,145,033
Change in Liabilities: Increase (Decrease)					
Payables	(8,969,778)	(2,470,345)	(947,798)	(12,387,921)	(4,676,436)
Change in Deferred Inflows: Increase (Decrease)	1,202,257	468,536	66,109	1,736,902	194,197
Net Cash provided (used) by operating activities	\$ 41,864,171	\$ (7,061)	\$ 1,509,236	\$ 43,366,346	\$ 747,285
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ 8,366,356	\$ -	\$ -	\$ 8,366,356	\$ 46,805

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, 2020

	Pension and Other Employee Benefit Plans	Private-Purpose Trust Funds	Custodial Funds
ASSETS			
Cash	\$ 884,574	\$ 58,450	\$ 219,452
Short term investments	7,608,859	-	-
Deposits with fiscal agents/trustees	-	-	6,538
Receivables, pension and other employee benefit plans:			
Interest and dividends	331,464	-	-
Pending trade	(1,623,001)	-	-
Taxes receivable	250,000	-	-
Due from other governments	292,123	-	31,466
Other receivables	622	-	37,074
Investments, noncurrent, at fair value:			
U.S. fixed income	70,766,115	-	-
International/global fixed income	1,405,822	-	-
U.S. equities	106,974,730	-	-
Real estate	26,689,924	-	-
International equities	83,099,810	-	-
Alternatives	80,757,767	-	-
Total investments	369,694,168	-	-
Capital assets:			
Software	477,000	-	-
Other improvements	17,539	-	-
Accumulated depreciation	(232,188)	-	-
Investments, noncurrent, all other funds:			
Total Assets	377,701,160	58,450	294,530
LIABILITIES			
Accounts/vouchers payable	225,151	-	58,338
Due to other governments	391	-	196,805
Compensated absences	49,925	-	-
Other accrued liabilities	4,704	-	26,224
Other current liabilities	31,130	-	13,163
Total Liabilities	311,301	-	294,530
NET POSITION			
Net position held in trust for:			
Pension benefits	365,305,170	-	-
Postemployment benefits	12,084,689	-	-
Individuals, organizations, and other governments	-	58,450	-
Total Net Position	\$ 377,389,859	\$ 58,450	

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, 2020

	Pension Trust Funds	Private-purpose Trust Funds	Custodial Funds
ADDITIONS			
Contributions:			
Employer	\$ 15,742,198	\$ -	\$ 189,267
Plan members	10,659,281	-	-
Intergovernmental revenue	330,690	-	-
Medicare retiree drug subsidy	268,529	-	-
Miscellaneous	408,985	-	-
Private contributions	-	13,258	-
Total Contributions	27,409,683	13,258	189,267
Investment Earnings:			
Net increase (decrease) in fair value of investments	32,743,619	-	-
Interest and dividends	4,639,455	-	-
Less: Investment expense	(545,698)	-	-
Total Investment Earnings:	36,837,376	-	-
Court fees collected for other governments	-	-	1,046,407
Permit Fees Collected for other gov'ts	-	-	119,601
Special Assessments Collected for other gov'ts	-	-	1,429,119
Taxes Collected for other gov'ts	-	-	55,927
Utility Assistance Received	-	-	62,954
Total Additions	64,247,059	13,258	2,903,275
DEDUCTIONS			
Pension Benefits	32,497,586	-	-
Medical and dental benefits	6,182,836	-	-
Pension refunds	513,758	-	-
Medical and dental administration	330,438	-	-
Administrative expenses	814,313	-	189,317
Court Fees paid to other governments	-	-	1,046,407
Permit Fees paid to other gov'ts	-	-	101,327
Special Assessments paid to other gov'ts	-	-	1,429,069
Taxes paid to other gov'ts	-	-	74,201
Utility Assistance Paid to recipients	-	-	62,954
Total Deductions	40,338,931	-	2,903,275
Net Increase (Decrease) in Fiduciary Net Position	23,908,128	13,258	-
Fund Balance - beginning	353,481,731	45,192	-
Net position - ending	\$ 377,389,859	\$ 58,450	\$ -

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 227,579 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 2020 reporting, the City evaluated the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB 83 *Certain Asset Retirement Obligations*. This statement is to improve consistency in accounting and financial reporting for "Certain Asset Retirement Obligations" during the fiscal year 2020. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have legal obligations to perform future tangible asset retirement activities are now required to recognize a liability and offsetting deferred outflow of resources when these costs are incurred and are reasonably estimable. The City identified the following ARO's: Underground Storage Fuel Tanks, The Hydroelectric Dam, The Wastewater Treatment Plant, The Power Regeneration Waste to Energy Plant, Water Wells, Radioactive Equipment and Cell Towers. In 2020 the City's financial statements do not reflect any ARO liability or associated deferred outflows with these assets that are further described in Note 18 of the financial statements.

GASB 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statement was effective in 2019 but actually became applicable to the City of Spokane in December of 2020 for a Direct Borrowing issued related to refunding of some General Obligation Bonds from 2010.

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.

Fiduciary Component Units

A fiduciary component unit does not function as an integral part of the primary government and engaged in fiduciary activities and all financial information is located in the City's Fiduciary Fund Statements.

The City has the following three Fiduciary Component Units.

Spokane Employee Retirement System (SERS) is a single-employer defined benefit pension plan covering employees. SERS provides retirement, death, and disability benefits to its participants.

Police Pension and OPEB System is a single- employer defined benefit pension plan that provides retirement and medical benefits to all uniformed police who were hired prior to March 1, 1970.

Fire Pension and OPEB System is a single-employer defined benefit pension plan that provides retirement and medical benefits to all firefighters who were hired prior to March 1, 1970.

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 a Custodial fund. The Spokane International Airport and the West Plains-Airport Area Public Development Authority are not part of the City and are excluded from the accompanying financial statements. See Note 11, Joint Ventures, which more fully describes these organizations.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

Statement of Net Position

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

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

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

Statement of Activities

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

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

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

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

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

Fund Financial Statements

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

Major Governmental Funds

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

Major Enterprise Funds

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

Operating and Nonoperating Revenues and Expenses

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

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

Nonmajor Governmental Funds

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

Nonmajor Proprietary Funds

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

Fiduciary Funds

The City reports the following fiduciary funds:

- **Pension (and other Employee Benefit) Trust Funds** are used to report resources that are required to be held in trust by the city for the members and beneficiaries of its defined benefit and other employee benefits plans. Included in this category are the Employees' Retirement Fund, the Firefighters' Pension and OPEB Funds, and the Police Pension and OPEB Funds.

- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension trusts, under which trust principal and income benefit individuals, private organizations, or other governments. Included in this category is the Finch Arboretum Trust Fund.
- **Custodial Funds** account for resources held by the city in a custodial capacity for other governments, private organizations, or individuals. Included in this category are the Parking and Business District Fund, the Spokane Regional Transportation Council Fund, Municipal Court Fund, Building Code Regulation Fund, Local Remittances Fund, and Utility Billing Assistance 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 however due to the pandemic of COVID-19 deadlines were extended to June 3 and December 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, 2020:

Fund	Amount
Law Enforcement Information Systems	9,303
Intermodal Facility Operation	23,683
Combined Communications Center	28,309
GO Bond Redemption	87
Kendall Yards TIF Fund	23,384
Total	84,766

Funds with Deficit Fund Balance/Net Position

The following funds reported deficit fund balance/net position as of December 31, 2020:

Fund	Amount
Intermodal Facility Operation	44,059
Building Services Fund	523,934
Public Works Utilities Fund	1,684,753
Reprographics Fund	163,118
Purchasing & Stores Fund	1,043,676
Accounting Services Fund	5,468,423
My Spokane	1,459,359
Project Management Office	300,409
Total	10,687,731

The net position deficit for the Building Services, Public Works Utilities, Reprographics, Purchasing & Stores, My Spokane, Project Management Office 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	11,532,433
Current portion of revenue bonds payable	9,055,347
Total	20,587,780

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, 2020 are shown below:

Fund Balance	General Fund	Nonmajor Government Funds	Total
<i>Nonspendable:</i>			
Interfund loans receivable	4,064,187	-	4,064,187
Inventories	-	1,101,979	1,101,979
Prepays	7,000	1,200	8,200
Total Nonspendable Fund Balance	4,071,187	1,103,179	5,174,366
<i>Restricted for:</i>			
Capital projects	-	91,814,900	91,814,900
Debt service	-	8,839,928	8,839,928
Impact Fees	-	172,705	172,705
Grants	489,060	27,923,870	28,412,930
Police/firefighters' pension	-	1,940,245	1,940,245
Public safety/crime reduction	-	1,623,894	1,623,894
Other	-	550,208	550,208
Total Restricted Fund Balance	489,060	132,865,750	133,354,810

<i>Committed for:</i>			
Revenue stabilization	7,362,902	-	7,362,902
City facilities	-	117,926	117,926
Communication	-	1,065,012	1,065,012
Transportation	291,894	10,126,199	10,418,093
Public safety	-	12,721,888	12,721,888
Culture and recreation	-	5,555,468	5,555,468
Benefits	-	151,050	151,050
Total Committed Fund Balance	7,654,796	29,737,543	37,392,339
<i>Assigned for:</i>			
Contingency reserve	21,065,706	-	21,065,706
General Government	4,182,559	-	4,182,559
Library capital replacement	3,496,775	-	3,496,775
Human Services	-	1,506,987	1,506,987
Law enforcement	-	26,432	26,432
Culture and recreation	-	151,985	151,985
City facilities/improvement	83,900	12,761,177	12,845,077
Other purposes	22,569	28,755	51,324
Total Assigned Fund Balance	28,851,509	14,475,336	43,326,845
<i>Unassigned:</i>	19,502,234	(44,059)	19,458,175
Total	60,568,786	178,137,749	238,706,535

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.

Strategic Reserve. At each and every year, commencing with the year 2020 , amounts from the unappropriated general fund's current year positive variance, net of non-cash items shall be appropriated to the strategic reserve account until such time the account is funded to the targeted funding level. The initial targeted funding level within the strategic reserve account is one percent of current year budgeted general fund revenues.

Disbursements from the strategic reserve account may be made for the following purposes:

1. To fund strategic programs or initiatives in the areas of housing, environmental protection, innovation, or
2. Any other project, program, or initiative determined by City Council to be of strategic significance to the City or its people.

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, 2020, \$81.9 million was carried forward to the subsequent budget year as follows, and have been classified as assigned fund balance unless the fund's net position was already classified as restricted net position as follows:

Fund	Amount
General Fund	4,182,559
Nonmajor Governmental Funds	77,742,189
Total	81,924,748

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, 2020, all of the \$274.1 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, 2020:

Deposit Type	Value
Reconciliation of Restricted/Unrestricted Cash and Investments:	
Cash	\$ 75,343,861
Petty Cash	495,800
Deposits with Fiscal Agents	1,974,799
Investments	274,144,595
	351,959,055

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, 2020.

		Maturity				
Interest Rate Risk	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)
City Treasurer Investments Categorized						
US Government Agencies	199,241,522	48,811,490	150,430,032	-	-	2.26
US Government Treasuries	30,372,700	20,186,000	10,186,700	-	-	0.88
Strip Bonds	44,530,373	4,999,100	2,681,203	36,850,070		6.54
Total investments categorized	274,144,595	73,996,590	163,297,935	36,850,070	-	
Pension Trust Funds						
Employees' Retirement System						Average Maturity
Fixed Income Mutual Funds	15,713,795	15,713,795	-	-	-	6.67
Corporate Notes and Bonds	12,958,572	230,975	3,683,320	5,052,170	3,992,107	12.18
Asset Backed Securities	6,469,361	-	1,907,755	560,382	4,001,224	19.83
Governmental CMOs	5,394,567	-	-	139,583	5,254,984	26.13
Municipal Bonds	2,028,253	-	1,327,857	438,079	262,317	5.41
Mortgage Backed Securities						
Government Pass Through	1,190,588	-	-	344,847	845,741	15.97
U.S. Government Treasuries	974,441	453,813	149,986	56,411	314,231	10.64
Total investments categorized	44,729,577	16,398,583	7,068,918	6,591,472	14,670,604	
Investments not required to be categorized:						
Cash equivalents	1,060,143	-	-	-	-	
Equity securities	186,303,230	-	-	-	-	
Real estate	26,689,924	-	-	-	-	
Alternative investments	80,757,767	-	-	-	-	
Total investments not categorized	294,811,064	-	-	-	-	
Total Investments	339,540,641	16,398,583	7,068,918	6,591,472	14,670,604	
Firefighters' Pension System						Average Maturity
US Government Treasuries	11,721,223	6,636,558	1,870,258	-	3,214,407	2.78
Mortgage Backed Securities						
Government Pass Through	3,500,406	-	695,729	332,853	2,471,824	13.38
Government CMOs	7,017,792	-	982,211	-	6,035,581	9.72
Corporate Bonds/Notes	12,525,715	401,936	4,125,488	2,480,997	5,517,294	5.53
Asset Backed Securities	1,697,415	8,915	284,176	320,486	1,083,838	7.30
Total investments categorized	36,462,551	7,047,409	7,957,862	3,134,336	18,322,944	
Investments not required to be categorized:						
Cash equivalents	231,545	-	-	-	-	-
Total investments not categorized	231,545	-	-	-	-	
Total Investments	36,694,096	7,047,409	7,957,862	3,134,336	18,322,944	
Police Pension System						
Investments not required to be categorized:						
Cash equivalents	1,068,291	-	-	-	-	-
Total Investments	1,068,291	-	-	-	-	

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 2020 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, 2020.

Investment Type	Fair Value	Investment Credit Rating						Not Rated
		AAA	AA+	A	BBB	BB	B	
US Government Agencies	199,241,522		162,069,080	-	-	-	-	37,172,443
U.S. Government Treasuries	30,372,700							30,372,700
Strip Bonds	44,530,373		9,201,505	-		-		35,328,868
Total	274,144,595	-	171,270,585	-	-	-	-	102,874,010
Employees' Retirement System								
Fixed Income Mutual Funds	15,713,795	-	-	-	-	-	-	15,713,795
Corporate Notes and Bonds	12,958,572	101,360	492,830	4,168,102	8,004,431	75,850	-	115,999
Asset Backed Securities	6,469,361	6,185,352	284,009	-	-	-	-	-
Governmental CMOs	5,394,567	5,394,567	-	-	-	-	-	-
Municipal Bonds	2,028,254	210,529	1,742,640	29,400	45,685	-	-	-
Mortgage Backed Securities								-
Governmental Passthrough	1,190,588	1,190,588	-	-	-	-	-	-
U.S. Government Treasuries	974,440	974,440	-	-	-	-	-	-
Total	44,729,577	14,056,836	2,519,479	4,197,502	8,050,116	75,850	-	15,829,794
Firefighters' Pension System								
US Government Treasuries	11,721,223	11,721,223	-	-	-	-	-	-
Mortgage Backed Securities								
Government Pass Through	3,500,407	3,500,407	-	-	-	-	-	-
Government CMOs	7,017,792	7,017,792	-	-	-	-	-	-
Corporate Bonds/Notes	12,525,715	195,601	1,703,684	3,694,267	6,637,163	-	-	295,000
Asset Backed Securities	1,697,414	-	395,207	649,406	320,486	198,985	124,415	8,915
Total	36,462,551	22,435,023	2,098,891	4,343,673	6,957,649	198,985	124,415	303,915

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, 2020 were:

Organization	% of Net Position
City of Spokane Employees' Retirement System	
Fidelity Investments	12.5%
Sterling Capital Management	10.1%
Hotchkis & Wiley	9.7%
American Funds	8.3%
Artisan Partners	7.4%
Evanston Capital Management	6.2%

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, 2020 were:

Organization	% of Net Position
City of Spokane Firefighter's Pension System	
Fannie Mae	23.5%
US Treasury Notes	18.5%
US Treasury Bills	15.0%

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, 2020, there were no holdings exposed to foreign currency risk.

Employees' Retirement System

At December 31, 2020, 32.1% 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, 2020 was:

Category	Total Investments	US Issues	Foreign Issues	% Foreign
Cash	1,060,143	1,060,143	-	0.00%
Fixed Income	44,729,577	43,685,314	1,044,263	2.33%
Equities	186,303,230	104,655,895	81,647,335	43.82%
Real Estate	26,689,924	26,689,924	0	0.00%
Alternatives	80,757,767	54,339,772	26,417,995	32.71%
Total	339,540,641	230,431,048	109,109,593	32.13%

Spokane Firefighters' Trust Fund

The Fire investment policy does not allow investments in foreign issuances. At December 31, 2020, 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, 2020, 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 12/31/2020. 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 2020, 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, 2020:

		Quoted Prices In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Investment by fair value level	12/31/2020	(Level 1)	(Level 2)	(Level 3)	(NAV)
US Government Agencies	199,241,522	199,241,522	-	-	-
US Government Treasuries	30,372,700	30,372,700	-	-	-
Strip Bonds	44,530,373	44,530,373	-	-	-
Total	274,144,595	274,144,595	-	-	-
Pension Trust Funds					
Employees' Retirement System					
Cash Equivalents	1,060,143	1,060,143	-	-	-
Total Cash Equivalents	1,060,143	1,060,143	-	-	-
US Government	7,559,596	-	7,559,596	-	-
US Corporate Fixed Income	11,919,023	-	11,919,023	-	-
International Fixed Income	1,039,549	-	1,039,549	-	-
Asset Backed Securities	6,469,361	-	6,469,361	-	-
Municipal Bonds	2,028,253	-	2,028,253	-	-
Fixed Income Mutual Funds	15,713,795	15,713,795			
Total Fixed Income	44,729,577	15,713,795	29,015,782	-	-
US Common Stock	25,817,571	25,817,571	-		
International Common Stock	543,780	543,780	-		
Equity Mutual funds	148,701,825	134,746,862	13,954,963		
Total Equities	175,063,176	161,108,213	13,954,963		
Real estate	11,255,520	-	-	-	11,255,520
Alternative investments	107,432,225	-	-	-	107,432,225
Total - All Investments	339,540,641	177,882,151	42,970,745	-	118,687,745
Firefighters' Pension System					
US Government Treasuries	11,721,223	11,721,223	-	-	-
Mortgage Backed Securities					
Government Pass Through	3,500,407	3,500,407	-	-	-
Government CMOs	7,017,792	7,017,792	-	-	-
Corporate Bonds/Notes	12,525,715	12,525,715	-	-	-
Asset Backed Securities	1,697,414	1,697,414	-	-	-
Total	36,462,551	36,462,551	-	-	-

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	25,089,045	-	Monthly, Annually	15-90 Days
Long/Short Hedge Fund	27,765,375	-	Quarterly	60-65 Days
Real Estate Fund	12,840,933	3,578,976	N/A, Quarterly with queue	90 days
Absolute Return Hedge Fund	25,165,459	-	Monthly, Quarterly, Semi-Annually	30-45 Days
Closed-End Hedge Fund	2,249,691	2,780,081	N/A	N/A
Fixed Income Fund	25,577,242	-	Quarterly	90 Days
Total	118,687,745	6,359,057		

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

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

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

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

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

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

Note 3

Property Taxes

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

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
¹ 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
¹ October 31	Second of two equal installment payments due
¹ Due to COVID-19 2020 property tax installments were extended to June 3 and December 31 2020	

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)
- Library Bond (UTGO 2018 Bond)

The following table reflects the levy amounts and tax assessments that will be collected in the subsequent year.

Property Tax Levy Type	Total Levy (in thousands)	Amount per \$1,000 Assessed Valuation
Regular	62,273	2.921479
Regular Senior Lift	6,331	0.300000
EMS	9,008	0.422588
Bond	3,176	0.153542
Park Bond	5,831	0.276313
Total	86,619	4.073922

Note 4

Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

Capital Assets	Jan 01, 2020 Beginning Balance	Increases	Decreases	Dec 31, 2020 Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land ¹	841,050,021	2,155,376	-	843,205,397
Construction in progress ¹	32,366,534	43,346,108	(9,944,814)	65,767,828
Total capital assets, not being depreciated	873,416,555			908,973,225
Capital assets, being depreciated:				
Buildings	115,531,726	3,133,073	(48,200)	118,616,599
Accumulated depreciation	(47,700,154)	(2,478,796)	34,443	(50,144,507)
Net buildings	67,831,572			68,472,092
Other improvements ¹	107,717,114	8,187,288	(812,462)	115,091,940
Accumulated depreciation	(51,463,195)	(6,746,420)	76,726	(58,132,889)
Net other improvements ¹	56,253,919			56,959,051
Machinery and equipment ¹	109,483,349	7,640,084	(4,011,802)	113,111,631
Accumulated depreciation ¹	(71,345,679)	(7,148,621)	2,381,397	(76,112,903)
Net machinery and equipment ¹	38,137,670			36,998,728
Infrastructure	1,137,645,051	12,755,087	(181,804)	1,150,218,334
Accumulated depreciation	(580,659,966)	(24,770,841)	181,804	(605,249,003)
Net infrastructure	556,985,085			544,969,331
Intangible assets	6,070,502	357,794	-	6,428,296
Accumulated amortization	(2,651,687)	(265,463)	-	(2,917,150)
Net intangible assets	3,418,815			3,511,146
Total Capital assets, being depreciated (net)¹	722,627,061			710,910,347.70
Governmental Activities, Capital Assets (net)¹	1,596,043,616			1,619,883,573

¹Beginning Balance Restated

Capital Assets	Jan 01, 2020 Beginning Balance	Increases	Decreases	Dec 31, 2020 Ending Balance
BUSINESS-TYPE ACTIVITIES cont.				
Capital assets not being depreciated				
Land ¹	\$ 14,196,332	\$ 1,568,444	\$ (202,500)	\$ 15,562,276
Construction in progress ¹	179,847,161	62,034,253	(56,927,507)	184,953,907
Total capital assets, not being depreciated	194,043,493			200,516,183
Capital assets, being depreciated:				
Buildings	338,504,515	38,967,014	(1,289,528)	376,182,001
Accumulated depreciation	(222,345,112)	(9,673,961)	1,154,172	(230,864,901)
Net buildings	116,159,403			145,317,100
Other improvements	111,026,581	6,073,912	(214,774)	116,885,719
Accumulated depreciation	(67,325,528)	(4,433,861)	140,758	(71,618,631)
Net other improvements	43,701,053			45,267,088
Machinery and equipment	171,316,347	8,540,818	(2,671,961)	177,185,204
Accumulated depreciation ¹	(110,930,201)	(8,950,427)	2,457,514	(117,423,114)
Net machinery and equipment	60,386,146			59,762,090
Infrastructure	752,096,623	22,123,067	(683,875)	773,535,815
Accumulated depreciation	(200,262,342)	(12,740,688)	368,624	(212,634,406)
Net infrastructure	551,834,281			560,901,409
Intangible assets	113,766	-	-	113,766
Accumulated amortization	(86,463)	(2,276)	-	(88,739)
Net intangible assets	27,303			25,027
Total Capital assets, being depreciated (net)	772,108,186			811,272,714
Business-Type Activities, Capital Assets (net)	\$ 966,151,679			\$ 1,011,788,897
DEPRECIATION				
Governmental Activities:				
General government				\$ 523,834
Judicial				923,975
Public safety				2,078,879
Transportation				28,466,709
Economic environment				1,745,780
Social Services				826,064
Culture and recreation				6,844,900
Total Depreciation Expense - Governmental Activities				\$ 41,410,141
Business-Type Activities:				
Water/Sewer				\$ 26,040,840
Solid Waste				9,404,603
Other				355,770
Total Depreciation Expense - Business-Type Activities				\$ 35,801,213

The City paid \$6,731,914 in interest expense related to business-type activities during 2020. 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 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (179,376,250)
Pension assets	61,452,699
Deferred outflows of resources	51,024,296
Deferred inflows of resources	(86,363,133)
Pension expense/expenditures	9,203,373

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, 2020. 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 \$330,689 in 2020.

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 1

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	1,504	131	1,464	3,099	12/31/2020
Firefighters' Pension System	124	-	-	124	12/31/2020
Police Pension System	105	-	-	105	12/31/2020
Total	1,733	131	1,464	3,328	

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 that includes financial statements and required supplementary information for each plan. The DRS comprehensive annual financial report may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380; 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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

For the year ended December 31, 2020, 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	11.50%	9.33%	0.18%	4.48%	4.55%

Estimated Rates of Return

Below are the estimated real rates of return for the various pension plans as of December 31, 2020:

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%	-	2.20%	2.20%
Long Biased	4.00%	-	-	-	-
Opportunistic Credit	7.00%	-	-	-	-
Real estate	2.20%	-	-	5.80%	5.80%
Private equity	-	-	-	9.30%	9.30%
Tangible assets	-	-	-	5.10%	5.10%

¹The inflation component used to create the table is 2.2 percent and represents WSIB'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, 2020 were:

Target Allocation	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
US equity	32%	-	-	-	-
Global equity	22%	-	-	32%	32%
US fixed income	23%	100%	-	20%	20%
Global fixed income	0%	-	-	-	-
Long/short and special opportunities	14%	-	-	-	-
Absolute return	-	-	-	-	-
Real estate	9%	-	-	18%	18%
Private equity	-	-	-	23%	23%
Commodities	-	-	-	-	-
Tangible assets	-	-	-	7%	7%
Cash	-	-	-	-	-
	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 (ASSET)

The components of the net pension liability (asset) was calculated based on the actuarial reports dated December 31, 2020 for SERS, Firefighters' and Police, and dated as of June 30, 2020 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	496,987,271	13,370,030	2,589,439	37,961,030	222,011,888
Plan fiduciary net position	317,542,366	21,884,239	1,499,806	55,755,997	257,155,411
LESS (Public Facilities District)	(430,698)	-	-	-	-
LESS (SREC)	(727,590)	-	-	-	-
Net pension liability (asset)	178,286,617	(8,514,209)	1,089,633	(17,794,967)	(35,143,523)
Plan fiduciary net position as a % of total pension liability	63.89%	163.68%	57.92%	146.88%	115.83%
¹ Total pension liability (TPL) calculated by the Office of the State Actuary (OSA)					

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(17,794,967)	(35,143,523)
State's proportionate share of the net pension asset associated with the employer	(120,364,715)	(22,471,620)
TOTAL	(138,159,682)	(57,615,143)

At December 31, 2020 the City of Spokane's proportionate share of the collective net pension liabilities (assets) was as follows:

	Proportionate Share 12/31/19	Proportionate Share 12/31/20	Change in Proportion
LEOFF 1	0.945661%	0.942276%	-0.003385%
LEOFF 2	2.024275%	1.722845%	-0.301430%

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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

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, 2019.

LEOFF 1 & 2

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

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at

2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

	Employees' Retirement System	Firefighters' Pension System	Police Pension System	LEOFF 1	LEOFF 2
Valuation date	12/31/2020	12/31/2020	12/31/2020	6/30/2019	6/30/2019
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	17	5	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	8-year graded smoothed fair value
Actuarial assumptions					
Investment rate of return	7.5%	3.0%	3.0%	7.40%	7.40%
Projected salary increases ²	2.5-12.0%	n/a	n/a	3.50%	3.50%
Economic inflation	2.25%	2.25%	2.250%	2.75%	2.75%
Cost of living adjustments	0.0%	Based upon 3.5% increase assumption when appropriate, for PPF benefits.	Based upon 3.5% increase assumption when appropriate, for PPF benefits.	CPI Increase	CPI Increase, maximum 3%
		Based upon inflation assumption for some PPF 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, with ages set back one year.	RP-2000 Mortality Tables for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year.	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 9.75% contribution rate and that city contributions will be made at the same rate. The contribution rate for all participants and the City increased to 10.0% on December 27, 2020. 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 & 68 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 & 68 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 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% 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	231,504,737	179,444,905	135,023,895	7.50%
Firefighters'	(7,137,327)	(8,514,209)	(9,695,149)	3.00%
Police	1,289,402	1,089,633	913,867	3.00%
LEOFF 1	(14,484,196)	(17,794,967)	(20,659,345)	7.40%
LEOFF 2	(695,736)	(35,143,523)	(63,349,390)	7.40%
¹ SERS data includes amount related to the Public Facilities District (PFD) and Spokane Regional Emergency Communications (SREC) \$430,698 and \$727,590 of the current discount are PFD and SREC, respectively.				

H. PENSION EXPENSE

For the year ended December 31, 2020, the City recognized pension expense as follows:

Description	SERS	Firefighters'	Police
Service Cost	9,814,459	-	-
Interest Cost	34,666,267	440,951	114,653
Benefit Changes	-	-	-
Experience loss (gain)	977,734	(1,330,615)	(1,226,427)
Change in Assumptions	-	-	-
Contributions-Employer	-	-	-
Contributions-Employee	(9,827,760)	-	-
Net Investment Income:		-	-
Expected Return on Investments	(20,492,356)	(609,914)	(38,213)
Investment (gain) loss expensed	(5,934,874)	(114,228)	7,243
Investment (gain) loss deferred	-	-	-
Benefits paid, including refunds of employee contributions	-	-	-
Administrative Expense	555,763	45,527	42,081
Amortization	928,410	51,563	(97,042)
Other Changes	-	-	-
Total Pension Expense	10,687,643	(1,516,716)	(1,197,705)
LESS (PFD)	(25,652)	-	-
LESS (SREC)	(43,335)	-	-
Total Pension Expense	10,618,656	(1,516,716)	(1,197,705)

For the year ended December 31, 2020 the City recognized pension expense for the following state plans:

Pension Expense	
LEOFF 1	(854,595)
LEOFF 2	2,153,734
TOTAL	1,299,139

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, 2020, 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	-	634,182	-	353,760	-	60,378
Change of Assumptions	(79,019,718)	24,815,987	-	-	-	-
Differences Between Expected and Actual Experience	-	13,241,161	(1,364,047)	-	(539,881)	-
Change in Proportion and Differences Between Contributions and Proportionate Share of Contributions	1,445,531	(160,507)	-	-	-	-
City Contributions Subsequent to the Measurement Date	-	-	-	-	-	-
Total	(77,574,186)	38,530,822	(1,364,047)	353,760	(539,881)	60,378

	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	(186,135)	-	(391,704)	-
Change of Assumptions	-	-	(5,441,774)	50,913
Differences Between Expected and Actual Experience	-	-	(623,302)	4,862,687
Change in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-	(242,104)	5,009,700
Contributions subsequent to the measurement date	-	-	-	\$2,156,036
Total	(186,135)	-	(6,698,884)	12,079,336

Deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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	9.48	5.0	10.67	5.0
Year	(Inflow)	Outflows	Outflows	(Inflows)	Outflows	(Inflows)	Outflows
2021	(24,883,672)	4,114,209	9,929,259	(343,302)	188,522	(115,606)	22,125
2022	(24,883,672)	3,033,709	9,284,097	(343,301)	114,776	(115,606)	17,988
2023	(22,465,876)	975,307	9,284,099	(343,302)	50,461	(115,606)	13,022
2024	(5,629,514)	975,307	(40,472)	(334,140)	-	(115,606)	7,243
2025	288,548	975,307	-	-	-	(77,457)	-
Thereafter	-	-	-	-	-	-	-
Total Deferred (Inflows)/Outflows	(77,574,186)	10,073,838	28,456,984	(1,364,047)	353,760	(539,881)	60,378

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
2021	(664,445)	-	(3,297,659)	1,166,226
2022	(34,639)	-	(914,531)	1,078,395
2023	188,887	-	(46,675)	1,078,395
2024	324,062	-	609,033	1,078,395
2025	-	-	(803,024)	1,078,395
Thereafter	-	-	(2,246,028)	4,443,493
Total Deferred (Inflows)/Outflows	(186,135)	-	(6,698,884)	9,923,300

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, 2020.

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 9.75% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 9.75 % of eligible compensation for a combined total of 19.5%. Effective December 27, 2020, the annual Contribution Rate was changed to a combined total of 20.0%. Member contributions are 10.0% of eligible compensation and the City contributes 10.0% of eligible compensation. It is contemplated that the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth. Combined contributions from employees and the employer were \$21.3 million in 2020 and \$19.7 million in 2019.

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 fully funded with \$35.7 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 state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The City's actual contributions to LEOFF 2 were \$3.99 million for the year ended December 31, 2020.

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 ending June 30, 2020, the state contributed \$76.3 million to LEOFF Plan 2. The amount recognized by the City for its proportionate share of this amount is \$2.2 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 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

The required contribution rates expressed as a percentage of current-year covered payroll as of December 31, 2020 are as follows:

Actual Contribution Rates	Employer	Employee
Employees' Retirement System ¹	9.75%	9.75%
Firefighters' Pension System	0.16%	0.00%
Police Pension System	0.16%	0.00%
LEOFF 1 ²	0.18%	0.00%
LEOFF 2 ²	5.33%	8.59%

¹Effective December 27, 2020, SERS annual contribution rate was changed to 20.0% of payroll (10.0% paid by employee, 10.0% paid by payroll.

²The 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	2020	2019	2018	2017
Employees' Retirement System	10,659,281	9,824,717	9,187,420	8,113,319
Firefighters' Pension System	498,064	1,616,355	2,827,071	2,179,136
Police Pension System	409,076	687,434	487,803	637,580
LEOFF 1	-	-	-	-
LEOFF 2	3,988,973	3,687,000	3,667,460	3,382,581

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, 2018)	477,240,443	278,879,226	198,361,217	55,256,312	74,774,094	-
Changes for the year:						
Service Cost	9,814,459	-	9,814,459	-	-	9,814,459
Interest Cost	34,666,267	-	34,666,267	-	-	34,666,267
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	5,866,404	-	5,866,404	4,888,670	-	977,734
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	9,824,717	(9,824,717)	-	-	-
Contributions-Employee	-	9,827,760	(9,827,760)	-	-	(9,827,760)
Net Investment Income	-	50,166,728	(50,166,728)	-	-	-
Expected Return on Investments	-	-	-	-	-	(20,492,356)
Investment (gain) loss expensed	-	-	-	-	-	(5,934,874)
Investment (gain) loss deferred	-	-	-	-	23,739,498	-
Benefits paid, including refunds of employee contributions	(30,600,302)	(30,600,302)	-	-	-	-
Administrative Expense	-	(555,763)	555,763	-	-	555,763
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(21,363,834)	(20,435,424)	928,410
Net Changes	19,746,828	38,663,140	(18,916,312)	(16,475,164)	3,304,074	
Balance, End of Year (Dec 31, 2019)	496,987,271	317,542,366	179,444,905	38,781,148	78,078,168	10,687,643
LESS (Public Facilities District)			(430,698)	(93,081)	(187,401)	(25,652)
LESS (SREC)			(727,590)	(157,245)	(316,581)	(43,335)
Balance, End of Year (Dec 31, 2019) Net of PFD & SREC			178,286,617	38,530,822	77,574,186	10,618,656

	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Firefighters' Pension System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2018)	15,130,603	19,957,737	(4,827,134)	634,396	1,136,206	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	440,951	-	440,951	-	-	440,951
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(1,330,615)	-	(1,330,615)	-	-	(1,330,615)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	1,661,882	(1,661,882)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income	-	1,181,056	(1,181,056)	-	-	-
Expected Return on Investments	-	-	-	-	-	(609,914)
Investment (gain) loss expensed	-	-	-	-	-	(114,228)
Investment (gain) loss deferred	-	-	-	-	456,914	-
Benefits paid, including refunds of employee contributions	(870,909)	(870,909)	-	-	-	-
Administrative Expense	-	(45,527)	45,527	-	-	45,527
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(280,636)	(229,073)	51,563
Net Changes	(1,760,573)	1,926,502	(3,687,075)	(280,636)	227,841	
Balance, End of Year (Dec 31, 2019)	13,370,030	21,884,239	(8,514,209)	353,760	1,364,047	(1,516,716)

	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, 2018)	3,940,536	1,049,699	2,890,837	49,968	655,487	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	114,653	-	114,653	-	-	114,653
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(1,226,427)	-	(1,226,427)	-	-	(1,226,427)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	729,515	(729,515)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income	-	1,996	(1,996)	-	-	-
Expected Return on Investments	-	-	-	-	-	(38,213)
Investment (gain) loss expensed	-	-	-	-	-	7,243
Investment (gain) loss deferred	-	-	-	28,974	-	-
Benefits paid, including refunds of employee contributions	(239,323)	(239,323)	-	-	-	-
Administrative Expense	-	(42,081)	42,081	-	-	42,081
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	(18,564)	(115,606)	(97,042)
Net Changes	(1,351,097)	450,107	(1,801,204)	10,410	(115,606)	
Balance, End of Year (Dec 31, 2019)	2,589,439	1,499,806	1,089,633	60,378	539,881	(1,197,705)

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 2020:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ (97,392,855)
OPEB assets	-
Deferred outflows of resources	1,129,266
Deferred inflows of resources	(2,435,768)
OPEB expense/expenditures	7,373,365

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

Current Covered Employee Groups			Rates for 2020	
Union 270 - Clerical				
Union 270 - Labor				Group
Union 270 - Library			Premera	Health
Exempt Confidential		Retiree	\$ 693.19	\$ 713.53
Library Managerial		Retiree and Spouse	\$ 1,506.85	\$ 1,551.61
Exempt A - SM&PA				
Managerial B - SM&PA				
Mayor, Council and Elected Officials				
Police Lieutenants and Captains				
Police Guild				
Prosecutor's Association - SCPA				

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

Retiree Medical Plan 2 Eligibility requirements									
1. Non-LEOFF Employees									
a. Hired Prior to January 1, 2009	The attainment of age 50 and completion of 5 years of service								
b. Hired between January 1, 2009 and January 1, 2015	The attainment of age 62 and the completions of 5 years of service, or age plus years of service equal or exceeds 75								
c. Hired between January 1, 2015 and December 31, 2017	The attainment of age 65 and the completions of 7 years of service, or age plus years of service equal or exceeds 80								
c. Hired on or after January 1, 2018	The attainment of age 65 and the completions of 7 years of service, or age plus years of service equal or exceeds 90								
2. LEOFF Employees	The attainment of age 53 and the completion of 5 years of service, or the attainment of age 50 and completion of 20 years of service								

At December 31, 2020, 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	194	-	-	194	1/1/2020
Police Pension System	149	-	-	149	1/1/2020
Total	343	-	-	343	

Plan	Active	Retiree	Surviving Spouse	Total Members	Membership as of the latest actuarial valuation
Retiree Medical Plan 2	1,690	49	-	1,739	1/1/2020

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, 2020 and December 31, 2019 for the plans are shown in the following tables.

Funded Status (in thousands)	Firefighters' OPEB	Police OPEB	Retiree Medical Plan 2
Actuarial valuation date	1/1/2020	1/1/2020	1/1/2020
Actuarial value of plan assets	\$ 12,555	\$ -	\$ -
Actuarial accrued liability (AAL)	48,633	51,643	9,672
Unfunded actuarial accrued liability (UAAL)	36,078	51,643	9,672
Funded ratio	25.82%	0.00%	0.00%
Actual contributions	2,696	2,706	226
Covered payroll	N/A	N/A	106,596
UAAL as a percentage of covered payroll	N/A	N/A	9.07%

Actuarial Determined Contribution

	Firefighters' Pension System	2020	2019
A.	Normal Cost		
	1. Normal cost without expense load	\$ -	\$ -
	2. Expense load, if any	62,917	-
	3. Total normal cost: (1) = (2)	62,917	-
B.	Amortization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 48,632,910	\$ 50,105,797
	b. Value of plan assets for recommended contribution	12,555,320	13,026,541
	c. Unfunded/(surplus) liability: (a)-(b)	36,077,590	37,079,256
	2. Amortization period in years	17	18
	3. Discount rate	3.00%	3.00%
	4. Amortization amount	2,660,373	2,617,461
C.	Recommended Contribution at Beginning of Plan Year: A(3) + B(4)	\$ 2,723,290	\$ 2,617,461
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2020	12/31/2019
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	81,699	78,524
E.	Recommended contribution at the end of the fiscal year: C + D(3)	2,804,989	2,695,985
F.	Actuarial Funding Method	Entry Age Normal	Entry Age Normal

	Police Pension System	2020	2019
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	\$ 51,195,680	\$ 53,136,949
	b. Value of plan assets for recommended contribution	-	-
	c. Unfunded/(surplus) liability: (a)-(b)	51,195,680	53,136,949
	2. Amortization period in years	17	18
	3. Discount rate	3.00%	3.00%
	4. Amortization amount	3,775,186	3,750,989
C.	Recommended Contribution at Beginning of Plan Year: A(3) + B(4)	\$ 3,775,186	\$ 3,750,989
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2020	12/31/2019
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	113,256	112,530
E.	Recommended contribution at the end of the fiscal year: C + D(3)	3,888,442	3,863,519
F.	Actuarial Funding Method	Entry Age Normal	Entry Age Normal

	Retiree Medical Plan 2	2020	2019
A.	Normal Cost		
	1. Normal cost without expense load	\$ 625,753	\$ 580,385
	2. Expense load, if any	-	-
	3. Total normal cost: (1) = (2)	625,753	580,385
B.	Amortization Amount		
	1. Unfunded Liability		
	a. Actuarial liability for recommended contribution	\$ 9,672,172	\$ 8,752,805
	b. Value of plan assets for recommended contribution	-	-
	c. Unfunded/(surplus) liability: (a)-(b)	9,672,172	8,752,805
	2. Amortization period in years	30	30
	3. Discount rate	2.75%	3.75%
	4. Amortization amount	464,871	473,180
C.	Recommended Contribution at Beginning of Plan Year: A(3) + B(4)	\$ 1,090,624	\$ 1,053,565
D.	Interest Adjustment for Timing of Contribution		
	1. Estimated contribution dated	12/31/2020	12/31/2019
	2. Fractional year from beginning of plan year	1.00	1.00
	3. Interest on contribution to end of the fiscal year	29,992	39,509
E.	Recommended contribution at the end of the fiscal year: C + D(3)	1,120,616	1,093,074
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, 2019 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, 2019 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	2.25% per year	2.25% per year	2.0% per year
Salary increases	N/A	N/A	N/A
Investment rate of return	3.00% per year	N/A	N/A
Discount Rate	3.00% per year	2.75% per year	2.75% per year
Healthcare cost trend rates	8.50% for 2020, decreasing each year to an ultimate rate of 4.5% for 2037 and later years.	8.50% for 2020, decreasing each year to an ultimate rate of 4.50% for 2037 and later years.	8.0% for 2020, decreasing 0.5% per year to an ultimate rate of 5.00% for 2026 and later years.

Mortality	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females.	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females.	Mortality rates were based on the Society of Actuaries 1994 Group Annuity Mortality static table for Non-LEOFF members and the RP-2000 Combined Mortality table, fully generational projection with Scale BB, with male rates set back one year and female rates set forward one year for LEOFF members.
Actuarial Experience	The actuarial demographic assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period that ended December 31, 2016.	The actuarial demographic assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period that ended December 31, 2016.	Since this is a relatively 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, the 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.
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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	2.85%	1.50%
Domestic Equities	0.00%	N/A
U.S. Aggregate Bond	98.98%	2.93%
High Yield debt	0.00%	N/A
Other investments	-1.83%	1.50%
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, 2020 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, 2019)	50,105,797	13,026,541	37,079,256
Changes for the year:			
Service Cost	-	-	-
Interest on the total OPEB liability	1,449,183	-	1,449,183
Difference between expected and actual experience	511,480	-	511,480
Changes in plan provisions	-	-	-
Employer contributions	-	2,695,985	(2,695,985)
Changes in assumptions	165,821	-	165,821
Net Investment Income:	-	704,582	(704,582)
Benefits paid, including refunds of employee contributions	(3,599,371)	(3,599,371)	-
Administrative Expense	-	(272,417)	272,417
Other Changes	-	-	-
Net Changes	(1,472,887)	(471,221)	(1,001,666)
Balance, End of Year (Dec 31, 2020)	48,632,910	12,555,320	36,077,590

	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, 2019)	49,346,919	-	49,346,919
Changes for the year:			
Service Cost	-	-	-
Interest on the total OPEB liability	1,804,042	-	1,804,042
Difference between expected and actual experience	(1,035,511)	-	(1,035,511)
Changes in plan provisions	-	-	-
Employer contributions	-	2,706,416	(2,706,416)
Changes in assumptions	4,005,879	-	4,005,879
Net Investment Income:	-	-	-
Benefits paid, including refunds of employee contributions	(2,478,236)	(2,478,236)	-
Administrative Expense	-	(228,180)	228,180
Other Changes	-	-	-
Net Changes	2,296,174	-	2,296,174
Balance, End of Year (Dec 31, 2020)	51,643,093	-	51,643,093

Changes in the Total OPEB Liability

Changes in the City's Retiree Medical Plan 2 Total OPEB Liability as of December 31, 2020 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, 2019)	8,752,805
Changes for the year:	
Service Cost	580,385
Interest on the total OPEB liability	345,763
Difference between expected and actual experience	(495,648)
Changes in benefit terms	-
Employer contributions	-
Changes in assumptions	714,537
Net Investment Income:	
Benefits paid, including refunds of employee contributions	(225,670)
Administrative Expense	-
Other Changes	-
Net Changes	919,367
Balance, End of Year (Dec 31, 2020)	9,672,172

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'	40,688,910	36,077,590	32,051,997	3.00%
Police	57,028,692	51,643,093	46,982,941	2.75%

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

Total OPEB Liability Sensitivity to the Discount Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
Retiree Medical Plan 2	10,577,599	9,672,172	8,846,483	2.75%

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

Net OPEB Liability Sensitivity to the Healthcare Cost Trend Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
Firefighters'	32,237,311	36,077,590	40,413,307	8.5% Decreasing to 4.5%
Police	47,197,789	51,643,093	56,693,610	8.5% 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	8,595,607	9,672,172	10,942,666	8.0% 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, 2020, the City recognized OPEB expense reduction of \$631,021 for Firefighters' and \$51,401 for the Retiree Medical 2 Plan and an increase in OPEB expense of \$2,296,174 for Police for a total OPEB expense increase of \$1,613,752. At December 31, 2020, 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	194,924	(273,608)	-	-
Total	194,924	(273,608)	-	-

	Retiree Medical Plan 2	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences Between Expected and Actual Experience	-	(1,273,992)
Change of Assumptions	934,342	(888,168)
Net difference between projected and actual earnings on pension plan investments	-	-
Total	934,342	(2,162,160)

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)
2021	97,039	(68,402)	-	-
2022	61,099	(68,402)	-	-
2023	36,786	(68,402)	-	-
2024	-	(68,402)	-	-
2025	-	-	-	-
Thereafter	-	-	-	-
Total Deferred (Inflows)/Outflows	194,924	(273,608)	-	-

	Retiree Medical Plan 2	
Recognition Period (Years)	9.0	9.0
Year	Outflows	(Inflows)
2021	102,562	(237,600)
2022	102,562	(237,600)
2023	102,562	(237,600)
2024	102,562	(237,600)
2025	102,562	(237,600)
Thereafter	421,531	(974,160)
Total Deferred (Inflows)/Outflows	934,342	(2,162,160)

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, 2020 and 2019 are as follows:

Fund		2020		2019
Risk Management	\$	8,001,991	\$	10,236,664
Workers' Compensation		4,622,321		3,211,034
Unemployment Insurance		926,030		1,079,992
Employee Benefits		17,948,027		15,186,901
	\$	31,498,369	\$	29,714,591

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 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	400,000,000	Protects the city from loss by fire and other extended coverages
Property (Upriver Dam)	1,000,000	125,000,000	Protects the city from loss by fire and other extended coverages
Property (Waste to Energy)	250,000	266,674,208	Protects the city from loss by fire and other extended coverages
Property (Other than WWTP, Dam & WTE)	1,000,000	250,000,000	Protects the city from loss by fire and other extended coverages
Medical Stop Loss	600,000	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	26,966,053	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
Aviation - Unmanned Aircraft Systems	NIL	1,000,000	Protect the city from loss due to drone accidents
Kidnap & Ransom	1,250,000	3,000,000	Protects the city from Kidnap & Ransom demands
Cyber Security Liability	25,000	5,000,000	Protect the city from loss due to cyber breach
Terrorism	25,000	100,000,000	Protects the city from acts of terrorism liability and malicious attacks

Claims Liability Valuation

In 2020, 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 \$6.7 million and the Workers' Compensation fund totaled \$7.7 million. The Employee Benefits fund reported IBNR (incurred but not reported) claims of \$2.1 million for 2020. 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, 2019 to December 31, 2020 are shown in the following table:

Claims Liability (in thousands)	General Liability	Workers' Compensation	Health Benefits
Unpaid Claims, January 01, 2019	6,062	8,874	2,106
Incurred Claims	1,752	1,792	27,587
Adjustments for prior claims	122	740	2,429
Claim Payments	(1,756)	(3,161)	(29,630)
Unpaid Claims, December 31, 2019	6,180	8,245	2,492

Claims Liability (in thousands)	General Liability	Workers' Compensation	Health Benefits
Unpaid Claims, January 01, 2020	6,180	8,245	2,492
Incurred Claims	1,309	1,820	25,500
Adjustments for prior claims	1,016	874	884
Claim Payments	(1,790)	(3,247)	(26,754)
Unpaid Claims, December 31, 2020	6,715	7,692	2,122

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, 2020, the City had no LID progress warrants outstanding.

Progress Warrants	2020
Balance January 1	\$ -
Progress warrants issued	-
Progress warrants redeemed	-
Balance December 31	<u>\$ -</u>

Note 9

Long-Term Liabilities

A. Long Term Debt

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

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

General obligation bonds currently outstanding at December 31, 2020 are as follows:

Name of Issuance	Purpose	Interest Rate	Authorized Amount	Original Issue Amount	Debt Outstanding
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	10,083,846
UTGO 2017 Refunding	Refund UTGO 2008 Parks/Aquatics	4.00%-5.00%	30,000,000	25,030,000	18,570,000
UTGO 2018	Finance improvements to and expansion of the Spokane Public Library facilities	3.125%-5.00%	77,000,000	73,605,000	72,540,000
Total general obligation bonds				\$ 223,177,449	\$ 209,568,846

At December 31, 2020, the City has \$8.83 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
2021	4,530,191	8,121,615	12,651,806
2022	5,088,458	7,919,308	13,007,766
2023	5,694,179	7,690,026	13,384,205
2024	6,322,062	7,431,527	13,753,589
2025	9,653,956	7,142,564	16,796,520
2026-2030	57,560,000	29,916,790	87,476,790
2031-2035	78,640,000	15,800,353	94,440,353
2036-2040	23,370,000	6,446,925	29,816,925
2041-2043	18,710,000	1,409,256	20,119,256
Total	\$ 209,568,846	\$ 91,878,365	\$ 301,447,211

Debt Refundings/Direct Borrowing

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

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

On November 30, 2020 the city issued \$21,601,900 in limited tax general obligation (UTGO) refunding bonds with an interest rate of 1.38 percent, and a True Interest Cost (TIC) of 1.38% to refund the callable portion of the City's outstanding 2010 B UTGO Bonds (Streets Bonds) totaling \$21,454,000. There is a zero balance outstanding on 12/31/2020 for the 2010 B UTGO Bonds. As a result of the refinancing, the annual debt service was reduced by an average of approximately \$476,000 annually until the final maturity in 2026. The total savings is \$4,758,708, which has a present value of \$3,586,629. The Bonds were structured to mature 4 years earlier than the 2010 B UTGO Bonds.

The City's outstanding notes from direct borrowing related to governmental activities contain a provision that in the event of default of any payment the bond shall become due and payable.

Direct borrowings currently outstanding at December 31, 2020 are as follows:

Name of Issuance	Purpose	Interest Rate	Authorized Amount	Original Issue Amount	Debt Outstanding
LTGO 2020 ¹	Refund UTGO 2010B related to Streets	1.38%	22,000,000	21,601,900	21,601,900
Total Direct Borrowings				\$ 21,601,900	\$ 21,601,900

¹On December 1, 2020 the City refunded bonds through a direct borrowing from JP Morgan Chase which matures December 1, 2026

The annual debt service requirements to maturity for direct borrowings outstanding are as follows:

Governmental Activities			
Year	Principal	Interest	Total
2021	3,477,400	298,934	3,776,334
2022	3,526,200	250,118	3,776,318
2023	3,574,900	201,457	3,776,357
2024	3,624,200	152,123	3,776,323
2025	3,674,200	102,109	3,776,309
2026	3,725,000	51,405	3,776,405
Total	\$ 21,601,900	\$ 1,056,146	\$ 22,658,046

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%	\$ 289,388
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%	7,872,688
State Revolving Loans	Various Water/Wastewater System improvements	1.50% - 2.90%	97,375,839
Total government and other loans			\$ 105,737,915

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

Governmental Activities			
Year	Principal	Interest	Total
2021	112,917	1,446	114,364
2022	58,824	882	59,706
2023	58,824	588	59,412
2024	58,824	294	59,118
2025	-	-	-
2026-2030	-	-	-
2031-2035	-	-	-
2036-2040	-	-	-
2041-2042	200,000	-	200,000
Total	\$ 489,388	\$ 3,211	\$ 492,599

Business-Type Activities			
Year	Principal	Interest	Total
2021	5,586,153	1,947,423	7,533,576
2022	5,813,890	1,920,934	7,734,824
2023	5,795,286	1,814,997	7,610,282
2024	5,837,837	1,708,193	7,546,030
2025	5,911,982	1,599,464	7,511,446
2026-2030	29,361,525	6,315,689	35,677,214
2031-2035	29,544,244	3,351,626	32,895,870
2036-2040	17,397,611	673,984	18,071,595
Total	\$ 105,248,527	\$ 19,332,309	\$ 124,580,836

Special Assessment Bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds were 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, 2020, the amount of CLID Special Assessment delinquency equals \$152,081.

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.

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 \$181,225,000 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 \$189,703,443. Principal and interest paid for the current year and total customer net revenues were \$13,552,527 and \$13,552,527, respectively.

Revenue bonds outstanding at year-end are as follows:

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
Water and Wastewater System Revenue Bonds 2014	Finance capital improvements that will improve the health of the Spokane River, protect the region's sole-source drinking water aquifer, and make other necessary improvements to the Water and Wastewater System	3.00% - 5.00%	\$ 142,880,000
Total revenue bonds			\$ 142,880,000

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

Business-Type Activities			
Year	Principal	Interest	Total
2021	7,555,000	5,992,527	13,547,527
2022	7,935,000	5,614,778	13,549,778
2023	8,330,000	5,218,027	13,548,027
2024	8,750,000	4,801,528	13,551,528
2025	9,185,000	4,364,028	13,549,028
2026-2030	51,730,000	16,023,180	67,753,180
2031-2034	49,395,000	4,809,375	54,204,375
Total	\$ 142,880,000	\$ 46,823,443	\$ 189,703,443

B. Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

Long-Term Liabilities	Outstanding 12/31/19	Additions	Reductions	Outstanding 12/31/20	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds	237,845,873	-	(28,277,027)	209,568,846	4,530,191
Deferred amounts:					
Bond premiums at issuance	9,570,821	-	(33,318)	9,537,503	97,592
Bond premiums on refunding	5,485,493	-	(274,592)	5,210,902	336,824
Notes from direct borrowings and direct placements	-	21,601,900	-	21,601,900	3,477,400
Government loans	602,305	-	(112,917)	489,388	112,917
Revitalization Areas ¹	2,818,589	-	(298,203)	2,520,386	247,199
Claims and judgments	16,917,476	-	(388,433)	16,529,043	16,529,043
Pollution Remediation Liability ²	1,620,000			1,620,000	
OPEB liability ³	92,523,968	2,543,359	(1,001,666)	94,065,661	-
Net pension liability	120,752,064	-	(14,352,103)	106,399,961	-
Compensated absences	17,066,448	1,742,658	(64,318)	18,744,788	1,733,670
Total long term liabilities - governmental activities	505,203,039	25,887,917	(44,802,577)	486,288,379	27,064,837
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	150,080,000	-	(7,200,000)	142,880,000	7,555,000
Deferred amounts:					
Bond premiums at issuance	15,887,822	-	(1,376,352)	14,511,470	1,500,347
Bond premiums on refunding	-	-	-	-	-
Total bonds payable	165,967,822	-	(8,576,352)	157,391,470	9,055,347
Government loans	106,995,142	3,313,842	(5,060,457)	105,248,527	5,586,153
Net pension liability	80,007,510	-	(7,031,221)	72,976,289	-
Total OPEB liability ¹	2,655,012	672,182	-	3,327,194	
Landfill liabilities:					
Landfill closure	2,096,814	-	(22,759)	2,074,055	-
Postclosure monitoring	9,783,198	1,560,822	-	11,344,020	-
Capital lease payable	68,432	361,595	(68,432)	361,595	73,258
Compensated absences	6,394,941	501,173	(25,083)	6,871,031	369,226
Total long term liabilities - business-type activities	373,968,870	6,409,614	(20,784,304)	359,594,181	15,083,984
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	\$ 16.5 million
Net pension liability	\$ 22.1 million
Compensated absences	\$ 2.3 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 2020 is \$ 21,315 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%	\$ 239,255,337
Utility voted debt - 2.5%	301,232,318
Open space and park facilities voted debt - 2.5%	532,892,452
Total remaining debt capacity	\$ 1,073,380,107

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, 2020 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, 2020 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, 2020 were approximately \$253,791.

Future Years Operating Lease Payments	Total
2021	380,584
2022	272,622
2023	230,261
2024	48,866
2025	-
Total minimum future rental payments	\$ 932,334

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, 2020 were \$ 45,222

The capital lease debt outstanding at December 31, 2020 is \$361,595. The annual debt service requirements are as follows:

Business-Type Activities			
Year	Principal	Interest	Total
2021	73,258	5,272	78,530
2022	68,466	9,928	78,394
2023	70,824	7,571	78,394
2024	73,262	5,132	78,394
2025	75,785	2,609	78,394
Total	\$ 361,595	\$ 30,512	\$ 392,107

Accumulated depreciation related to the above assets is \$273,513

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, 2020 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	9,651,173	2,483,281
Water/Sewer Fund	849,430	6,875,954
Solid Waste Fund	292,992	2,206,209
Non-major Governmental Funds	3,932,384	5,333,145
Non-major Enterprise Funds	176,278	185,574
Internal Service Funds	3,388,425	1,206,519
Total Government Wide	18,290,682	18,290,682

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, 2020 are as follows:

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool¹
Riverfront Conservation Area	200,335
Gardner Building	1,108,838
Alki Building	1,713,667
University District Gateway	2,927,080
West Plains Fire Station	592,742
Public Safety Capital	18,839,331
Library RFID	219,612
Nelson Service Center	2,738,876
Engineering	79,855
Golf Courses	4,889,012
Strategic Investments	1,308,858
Maple St Gateway	418,512
Bond Refunding ²	3,351,950
Dental Clinic	912,000
Engineering Relocation	1,500,000

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool¹
CLID 219	51,227
CLID 221	53,837
CLID 222	77,215
CLID 223	327,910
CLID 224A	164,770
Total	41,475,627

Loan To:	Loan From:
Golf Fund	Spokane Investment Pool¹
Bond Refunding ²	288,021
¹ The Spokane Investment Pool is allowed to invest up to 15% of its balance in City of Spokane bonds. Loans from	

Loan To (Various):	Loan From (General Fund) ¹ :
Misc. Grants Fund	42,734
Human Services Grant Fund	3,662,420
Public Safety & Judicial Grant Fund	-
Community Development/Human Services Operations Fund ²	600,000
Community Development Block Grant Fund	1,747,977
Misc. Community Development Grants Fund	1,298,343
HOME Program Fund	553,655
Total	7,905,129

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, 2020 are as follows:

Transfer From:	Transfer To:						
Fund	General Fund	Non-major Governmental Funds	Water/Sewer Fund	Solid Waste Fund	Non-major Enterprise Funds	Internal Service Funds	Total
General Fund	-	26,248,516	500,000	-	-	7,573,259	34,321,775
Water/Sewer Fund	-	7,221,347	-	50,000	-	-	7,271,347
Solid Waste Fund	113,440	700,000	588,000	-	-	-	1,401,440
Non-major Governmental Funds	184,608	9,214,030	-	-	39,484	1,280,052	10,718,174
Non-major Enterprise Funds	-	-	-	-	-	121,350	121,350
Internal Service Funds	114	60,955	39,282	-	131,652	462,143	694,146
Total	298,162	43,444,848	1,127,282	50,000	171,136	9,436,804	54,528,232

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 the Intermodal fund, from Water/Sewer to Parks, and from Solid Waste to the General fund were for capital assets previously owned contributed to governmental funds and are a one-sided entry because governmental funds at the fund level are measure on current financial resources and modified accrual and need to be converted to economic resources and full accrual basis 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 2020, \$57,720 was paid to the Spokane Regional Transportation Council. General fund monies are contributed to support the West Plains 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, 2019 for the Spokane International Airport. The 2020 information was not available as of issuance.

Spokane International Airport	2019
Total Assets	\$ 342,984,658
Total Deferred Outflow of Resources	2,172,449
Total Liabilities	(20,838,618)
Total Deferred Inflow of Resources	(2,814,581)
Total Net Position	\$ 321,503,908
Total Revenues	\$ 44,540,630
Total Capital Contributions	3,411,568
Total Expenses	(56,888,927)
Total Nonoperating Revenue & Exepenses	13,347,652
Net Increase in Net Position	\$ 4,410,923
Net Position, Beginning of Year	\$ 317,092,985
Net Increase in Net Position	4,410,923
Net Position, End of Year	\$ 321,503,908

At December 31, 2019, the airport had other long-term debts payable totaling \$4,587,317.

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, 2020 the Spokane Regional Transportation Council had no long-term debt outstanding

The audited summary for the fiscal year ended December 31, 2020 is presented below.

Spokane Regional Transportation Council	2020
Total Assets	\$ 729,235
Total Liabilities	(729,235)
Total Net Position	<u>\$ -</u>
Total Revenues	\$ 2,057,189
Total Expenses	(2,153,402)
Net Decrease in Net Position	<u>\$ (96,213)</u>

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

West Plains/Airport Area Public Development Authority

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

The PDA operates under a Board consisting of five voting members and two at-large business representatives selected by the five permanent Board Members. Each Board Member shall have an equal vote and vote in all Board 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, 2020 is presented below.

West Plains Airport Area Public Development Authority	2020
Total Assets	\$ 1,812,847
Total Liabilities	(26,742)
Total Net Position	\$ 1,786,105
Total Revenues	\$ 1,279,082
Total Expenses	(1,014,645)
Net Increase in Net Position	\$ 264,437
Net Position, Beginning of Year	\$ 1,521,668
Net Increase in Net Position	264,437
Net Position, End of Year	\$ 1,786,105

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 \$1,427,029 with the State of Washington which represents the full present value of the pensions as of June 30, 2020. 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. The State did not release updated balances for 2020 until April 2021. The City will remit \$79,490.19 for the 2020 deficit.

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, 2019. 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 12/31/20
2018 Residential Curb Ramp Projects	724,836	688,594	36,242
2019 Arterial Curb Ramp Projects	989,817	923,700	66,117
2019 Residential Chip Seal Projects	935,115	888,235	46,880
2019 Residential Grind and Overlay	1,283,425	1,219,254	64,171
2019 Slurry Seal Microsurfacing	212,099	201,494	10,605
2020 - 2021 Arterial Grind and Overlay - North - Economic Recovery Projects	2,240,875	1,685,979	554,896
2020 - 2021 Arterial Grind and Overlay - South - Economic Recovery Projects	1,881,781	1,169,629	712,152
Ben Burr Crossings of 2nd and 3rd Avenue	399,618	316,866	82,752
Bypass Building approach	132,500	-	132,500
Caterbury Court Renovations for Seniors (HOME)	1,075,000	546,002	528,998
Concrete Building and Pad Construction and Placement at SPD's Property Lot	42,569	38,660	3,909
CSO 26	35,226,973	31,040,413	4,186,560
CSO 34-1	11,536,270	10,660,777	875,493
Downtown Library Branch Remodel	25,757,594	7,204,321	18,553,273
East Central Community Center Dental Clinic	1,928,649	1,840,097	88,552
Five Mile Booster Station	3,452,293	3,007,864	444,429
Five Mile Road, Lincoln to Strong	2,998,298	2,383,852	614,446
Hamilton Street Corridor Safety Improvement Project	3,647,722	2,274,272	1,373,450
I07	5,466,769	5,210,346	256,423
Indian Trail Branch Remodel	267,409	4,860	262,549
Japanese Mirror Pond Restoration	315,528	-	315,528
Liberty Branch Construction	5,662,778	2,676,382	2,986,396
Manito Mirror Pond	442,264	421,958	20,306
Maple St Gateway - 4th Avenue	413,181	348,030	65,151
Monroe Street/Lincoln Street Couplet from 4th Avenue to Main Avenue Phase I	6,202,250	5,926,145	276,105
N. Bank playground	874,750	590,374	284,376
N. Bank stairs/pathway	400,000	310,593	89,407
NLT	193,091,022	188,555,753	4,535,269
North Bank RFP	9,366,848	7,713,376	1,653,472
NSC Grace Ave	675,739	-	675,739
Post Street Pedestrian and Utility Bridge Replacement	20,371,513	4,263,709	16,107,804
Program Owner Costs-UTGO Bond Projects	840,243	220,751	619,492
Rockwell Ave Betterment	900,000	345,846	554,154
Shadle Branch Remodel	10,517,729	4,732,032	5,785,697
Shaw/Hillyard Branch	170,804	85,731	85,073
Sinto Commons Construction	780,000	-	780,000
South Gorge Trail Completion	39,999	36,288	3,711
South Gorge Trail Phase 2	4,513,246	593,522	3,919,724
South Hill Library Branch Remodel	380,294	6,035	374,259
Spokane Street Preservation North Phase II	1,598,300	809,207	789,093
Sprague Avenue Rebuild 2B	4,131,206	-	4,131,206
Sprague Avenue Rebuild Phase II	3,448,570	2,952,351	496,219
The Hive Construction	6,888,895	3,198,474	3,690,421
Trent Bridge Sewer Replacement Install	9,218	-	9,218
Triangle Truss Bridge Deck Replacement	293,186	258,006	35,180
University District - Pedestrian Overpass	185,000	-	185,000
W. Havermale restroom	117,543	106,749	10,794
Well Electric Pump Replacement	783,736	-	783,736
WSDOT-NSC Cleveland Ave	4,888,878	2,799,184	2,089,694
Total Construction Commitments	\$ 378,502,332	\$ 298,255,711	\$ 80,246,621

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 \$13.4 million reported as landfill postclosure care liability at December 31, 2020 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 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has restricted \$4.4 million in assets related to the post-closure monitoring of the closed portion of the Northside landfill, and \$4.6 million for post-closure monitoring of the open portion of the Northside landfill. No assets have been restricted for future costs of \$2.1 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 5 years.

Landfill Monitoring	Northside Landfill	Southside Landfill	Total
Estimated Post closure costs	\$ 4,449,943		\$ 4,449,943
Accrued post closure costs	4,612,298	2,281,780	6,894,078
Accrued closure liability	2,074,055	-	2,074,055
Total	\$ 11,136,296	\$ 2,281,780	\$ 13,418,076

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 \$2.1 million reported as landfill closure liability at December 31, 2020 represents the cumulative amount reported based on the use of 67 percent of the estimated capacity of Phase 1. The City will recognize the remaining estimated cost of closure of \$1.4 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 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of December 31, 2020, the City held \$2.1 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 2019 and 2020.

Note 13

Prior Period Adjustments

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

Prior Period Adjustment	
Governmental Activities	\$ (7,080,251)
Business-Type Activities	(613,248)
Total	<u>(7,693,499)</u>

Governmental Funds	
General Fund	\$ (3,615,366)
Special Revenue Funds	(4,922,763)
Internal Service Funds	(1,439)
Total	<u>(8,539,568)</u>

Governmental Activities

\$ 11,367,989 decrease due to recognition of prior year expenditures.

\$ 2,828,421 increase due to recognition of prior year unbilled receivables.

\$ 22,597 decrease due to correction of prior year capital assets.

\$ 1,481,914 increase due to government wide correction of prior year capital assets.

Business-Type Activities	
Water/Sewer Fund	\$ (567,698)
Solid Waste Fund	(45,550)
Other Enterprise Funds	-
Total	<u>\$ (613,248)</u>

Business-Type Activities

\$ 683,183 decrease due to recognition of prior year expenses.

\$ 115,485 increase due to recognition of prior year unbilled receivables.

\$ 45,550 decrease due to correction of prior year 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, 2020.

Note 15

Subsequent Events

The labor agreement between the City of Spokane and the Spokane Police Guild expired on December 31, 2016. The parties have been negotiating on a successor contract since August 2017. In 2020, a new round of negotiations led to a tentative agreement. On March 1, 2021 the City Council voted and accepted a tentative labor agreement with the Spokane Police Guild. The contract results in an average total cost of compensation of approximately 3.5% annually. The total costs were paid out of both the 2021 operating budget and General Fund unappropriated reserves. Years 2017-2019 were recorded as a prior period adjustment of \$ 6.3 million in the 2020 financial statements with the year 2020 expense of \$ 4.7 million being accrued and reported as a 2020 expense.

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 2020 fiscal year was \$2,658,350.99
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 2020 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 2020 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, 2020 is:

Tax Abatement Program State Imposed	Amount of Taxes Abated during the Fiscal Year 2020
Multi-unit urban housing	\$ 917,948
High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities	83,514
Total	\$ 1,001,462

Note 17

COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

In April of 2020 the City mitigated the losses that were expected to occur through cost containment and putting hiring freezes in place. The City's biggest loss of revenue came in the area of sales tax revenue, parking meter revenue, and recreational revenue related to the City Parks Dept. The actual amounts of those losses are still undetermined.

The City responded to the COVID 19 Pandemic in numerous ways in 2020. These responses include activities such as:

- Emergency response activities by our first responders
- Participation in the regional EOC
- Activities to create COVID-19 compliant shelter solutions for those experiencing homelessness
- Creating telecommuting options for staff able to work from home
- Purchasing personal protective equipment (PPE) for the safety of employees
- Providing funding to help mitigate the negative economic impacts to our businesses and community members

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.

In March 2021 the American Rescue Plan Act (ARPA) was signed into law and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recovery Funds program. This program is intended to provide support to State, territorial, local and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. Under ARPA, the City was awarded \$80,991,104 to be received in equal allotments in 2021 and 2022. The City is required to have the entire award encumbered by December 31, 2024 and spent by December 31, 2026.

Note 18

Asset Retirement Obligation

On January 1 2020 the City of Spokane implemented GASB Statement No. 83 "Certain Asset Retirement Obligations." An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have a legal obligation to perform future tangible asset retirement activities are now required to recognize a liability and offsetting deferred outflow of resources when the obligation associated with these costs has been incurred and the costs are reasonably estimable. The basis of the estimate is the current value of the expected future outlays, and is adjusted for inflation and any changes in relevant factors. The deferral is recognized as an expense in a systematic and rational manner over the life of the tangible capital asset. The liability is extinguished as retirement costs are paid. The City of Spokane identified the following ARO's in 2020. The City's financial statements do not reflect any ARO liability or associated deferred outflows associated with these assets for the estimable life can not be determined.

- **Underground Storage Fuel Tanks (UST)-** Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-360A-0810. These tanks along with the facility were placed into service 18 years ago and have 2 years of remaining depreciable life. The City has not recognized an obligation for the costs that would be incurred in the event the City of Spokane would cease its operations as it is a remote event and the operations are indefinite into the future making exact estimable remaining life undeterminable for liability calculation.
- **Hydroelectric Dam-** The Federal Energy Regulatory Commission (FERC) regulates dams that produce electricity, and a decommissioning plan is required as part of the surrender process at the dam's end of life. However, end of life might not be determinable for many dams, particularly those that potentially last hundreds of years. This Hydroelectric Dam has no remaining depreciable life and all assets associated with it are associated with maintenance costs or replacement of a component and do not fall under the guidance of GASB 83, therefore, the City has not recognized an obligation for the costs that would be incurred in the event the City of Spokane would cease its operations as it is a remote event and the operations are indefinite into the future making exact estimable remaining life undeterminable for liability calculation.
- **Wastewater Treatment Plant-** Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-303-610 and site preservation or restoration in accordance with Washington Administrative Code chapter 463-72-080. The depreciable assets associated with this operations were buildings purchased and added on in 2020, these along with all other related assets are associated with maintenance costs or replacement of a component and do not fall under guidance of GASB 83. There is no formal written plan on decommissioning of this asset and the City plans on continuing its operation in perpetuity and the remaining life of its operations are not able to be estimated there for the City has not recognized an obligation for the costs that would be incurred in the event the City of Spokane would cease its operations as it is a remote event and the operations are indefinite into the future making exact estimable remaining life undeterminable for liability calculation.
- **Power Regeneration Waste to Energy Plant-** Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-303-610 and site preservation or restoration in accordance with Washington Administrative Code chapter 463-72-080. The majority of this facilities buildings have a remaining depreciable life of 1 year with the exception of 1 building having a remaining life of 23 years. All other assets related assets are associated with maintenance costs or replacement of a component and do not fall under the guidance of GASB 83. There is no formal written plan on decommissioning of this asset and the City plans on continuing its operation of turning waste into energy in perpetuity and the remaining life of its operations are not able to be estimated there for the City has not recognized an obligation for the costs that would be incurred in the event the City of Spokane would cease its operations as it is a remote event and the operations are indefinite into the future making exact estimable remaining life undeterminable for liability calculation.

- **Water Wells-** Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-160-381. Several Wells have been acquired by the City of Spokane and have no remaining depreciable life and all assets associated with them associated with maintenance costs, replacement of a component, or Land (non-depreciable) and do not fall under the guidance of GASB 83, therefore, the City has not recognized an obligation for the costs that would be incurred in the event the City of Spokane would cease use of its well operations as it is a remote event and the operations are indefinite into the future making exact estimable remaining life undeterminable for liability calculation.
- **Radioactive Equipment-** The City has seven Troxler 3450 gauges that are used to test asphalt, soils, etc. All but one of these devices have been fully depreciated and one has a remaining life of 1 year. These devices are required by the State of Washington Department of Transportation WSDOT to test to their specifications. Upon disposal or retirement the City has options of returning the devices to the manufacturer for credit towards the purchase of a new device or to dispose of the device through auction. The costs of disposal are determined to be immaterial and there for the City has not recognized an obligation or liability associated with retirement.
- **Cell Towers-** The City of Spokane has several cell tower leases that the City is the lessor. All agreements state the lessee is responsible for restoring the leased site to the "condition as the same were at the beginning of the applicable lease, except for reasonable use, wear and tear and casualty and condemnation, therefore the City has not recognized an obligation for the costs to retire the assets.

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
Revenues				
Taxes	\$ 177,862,465	\$ 177,862,465	\$ 171,100,548	\$ (6,761,917)
Licenses and permits	7,282,000	7,282,000	6,700,210	(581,790)
Intergovernmental	3,887,632	13,414,733	12,151,178	(1,263,555)
Charges for services	21,267,529	21,526,469	20,661,991	(864,478)
Fines and forfeitures	2,751,650	2,731,650	1,286,914	(1,444,736)
Miscellaneous	7,588,750	7,543,854	6,809,691	(734,163)
Net inc(dec) in market value of investments	-	-	5,268,917	5,268,917
Total revenues	220,640,026	230,361,171	223,979,449	(6,381,722)
EXPENDITURES				
General government	35,822,484	44,584,982	40,387,257	4,197,725
Public safety	121,755,775	123,058,860	124,276,527	(1,217,667)
Transportation	7,282,404	7,368,335	6,601,266	767,069
Economic environment	6,350,626	9,159,289	4,722,882	4,436,407
Social services	2,941,306	4,919,278	3,943,500	975,778
Culture and recreation	10,360,720	10,409,087	9,313,711	1,095,376
Capital outlays	1,388,972	1,491,160	1,057,751	433,409
Interest	-	-	64,515	(64,515)
Total expenditures	185,902,287	200,990,991	190,367,409	10,623,582
Excess (deficiency) of revenues over expenditures	34,737,739	29,370,180	33,612,040	4,241,860
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	40,000	40,000	133,204	93,204
Proceeds of bonds issued	-	-	21,601,900	21,601,900
Payment to escrow agent for refunded bond debt	-	-	(21,545,000)	(21,545,000)
Transfers in	54,139,561	54,139,561	184,608	(53,954,953)
Transfers out	(89,389,271)	(88,224,720)	(34,321,775)	53,902,945
Total other financing sources (uses)	(35,209,710)	(34,045,159)	(33,947,063)	98,096
Net change in fund balance	(471,971)	(4,674,979)	(335,023)	4,339,956
Fund balance - beginning	41,773,021	29,944,469	64,519,175	34,574,706
Prior Period Adjustment	-	-	(3,615,366)	(3,615,366)
Fund balance - ending	\$ 41,301,050	\$ 25,269,490	\$ 60,568,786	\$ 35,299,296

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios SERS as of Measurement Date 12/31/2019

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 9,814,459	\$ 9,397,166	\$ 13,133,393	\$ 12,896,547	\$ 12,384,960	\$ 11,405,611
Interest	34,666,267	33,296,148	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	5,866,404	5,291,272	(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	(30,600,302)	(28,863,766)	(27,443,693)	(26,467,256)	(24,597,020)	(22,884,026)
Net change in total pension liability	19,746,828	19,120,820	(65,615,356)	11,711,646	20,630,208	32,834,091
Total pension liability—beginning	477,240,443	458,119,623	523,734,979	512,023,333	491,393,125	458,559,034
Total pension liability—ending (a)	\$ 496,987,271	\$ 477,240,443	\$ 458,119,623	\$ 523,734,979	\$ 512,023,333	\$ 491,393,125
Plan fiduciary net position						
Contributions—employer	\$ 9,824,717	\$ 9,187,420	\$ 8,113,319	\$ 7,586,362	\$ 7,398,945	\$ 6,822,279
Contributions—member	9,827,760	9,188,781	8,113,319	7,586,362	7,402,905	6,822,279
Net investment income	50,166,728	(18,715,945)	43,085,572	16,802,274	(3,228,439)	14,497,901
Benefit payments, including refunds of member contributions	(30,600,302)	(28,863,766)	(27,443,693)	(26,467,256)	(24,597,020)	(22,884,026)
Administrative expense	(555,763)	(554,484)	(563,078)	(477,252)	(447,921)	(386,713)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	38,663,140	(29,757,994)	31,305,439	5,030,490	(13,471,530)	4,871,720
Plan fiduciary net position—beginning	278,879,226	308,637,220	277,331,781	272,301,291	285,772,821	280,901,101
Plan fiduciary net position—ending (b)	\$ 317,542,366	\$ 278,879,226	\$ 308,637,220	\$ 277,331,781	\$ 272,301,291	\$ 285,772,821
Plan's net pension liability—ending (a) – (b)	\$ 179,444,905	\$ 198,361,217	\$ 149,482,403	\$ 246,403,198	\$ 239,722,042	\$ 205,620,304
Less (Public Facilities District)	(430,698)	(492,480)	(350,357)	(601,330)	(600,946)	(474,484)
Less (Spokane Regional Emergency Communications)	(727,590)	-	-	-	-	-
Plan's net pension liability—Net of the PFD	\$ 178,286,617	\$ 197,868,737	\$ 149,132,046	\$ 245,801,868	\$ 239,121,096	\$ 205,145,820
Plan fiduciary net position as a percentage of the total pension liability	63.95%	58.50%	67.42%	53.01%	53.24%	58.21%
Pensionable covered payroll	\$ 111,746,539	\$ 107,017,146	\$ 102,844,614	\$ 102,378,550	\$ 93,899,096	\$ 89,034,522
Plan's net pension liability as a percentage of covered payroll	160.58%	185.35%	145.35%	240.68%	255.30%	230.94%

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.

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 27, 2020, the annual Contribution Rate was changed to 20.00% of payroll (10.00% of pay paid by the Employee, 10.00% of pay paid by the Employer). Previously the Contribution Rate was 19.50% of payroll (9.75% of pay paid by the Employee, 9.75% of pay paid by the Employer) from December 15, 2019, 18.50% of payroll (9.25% of pay paid by the employee, 9.25% of pay paid by the employer) from December 16, 2018, 18.00% of payroll (9.00% of pay paid by the employee, 9.00% paid by employer from December 17, 2017 to December 16, 2018, 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 12/31/2019

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	440,951	520,242	684,842	815,109	831,429	938,119
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(1,330,615)	(2,268,594)	(1,114,154)	(2,959,170)	-	(2,281,571)
Changes of assumptions	-	-	1,637,202	-	-	-
Benefit payments, including refunds of member contributions	(870,909)	(918,100)	(1,053,418)	(1,170,685)	(1,306,840)	(1,340,440)
Net change in total pension liability	<u>(1,760,573)</u>	<u>(2,666,452)</u>	<u>154,472</u>	<u>(3,314,746)</u>	<u>(475,411)</u>	<u>(2,683,892)</u>
Total pension liability—beginning	<u>15,130,603</u>	<u>17,797,055</u>	<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>\$ 13,370,030</u>	<u>\$ 15,130,603</u>	<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	\$ 1,661,882	\$ 2,855,495	\$ 2,208,498	\$ 2,152,769	\$ 2,345,156	\$ 1,529,654
Contributions—member	-	-	-	-	-	-
Net investment income	1,181,056	308,539	351,460	252,368	116,370	295,093
Benefit payments, including refunds of member contributions	(870,909)	(918,100)	(1,053,418)	(1,170,685)	(1,306,840)	(1,340,440)
Administrative expense	(45,527)	(28,424)	(29,362)	(15,482)	(30,577)	(13,889)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>1,926,502</u>	<u>2,217,510</u>	<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>19,957,737</u>	<u>17,740,227</u>	<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>\$ 21,884,239</u>	<u>\$ 19,957,737</u>	<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>\$ (8,514,209)</u>	<u>\$ (4,827,134)</u>	<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	163.68%	131.90%	99.68%	92.18%	71.78%	64.95%
Covered payroll	N/A	N/A	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	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 Net Pension Liability

Related Ratios Police Pension as of

Measurement Date 12/31/2019

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	114,653	176,118	222,541	276,832	288,058	341,929
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(1,226,427)	(1,936,001)	(1,349,629)	(1,525,979)	-	(1,233,517)
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(239,323)	(337,880)	(501,605)	(618,629)	(705,257)	(1,100,056)
Net change in total pension liability	(1,351,097)	(2,097,763)	(1,628,693)	(1,867,776)	(417,199)	(1,991,644)
Total pension liability—beginning	3,940,536	6,038,299	7,666,992	9,534,768	9,951,967	11,943,611
Total pension liability—ending (a)	\$ 2,589,439	\$ 3,940,536	\$ 6,038,299	\$ 7,666,992	\$ 9,534,768	\$ 9,951,967
Plan fiduciary net position						
Contributions—employer	\$ 729,515	\$ 514,369	\$ 667,111	\$ 784,373	\$ 734,966	\$ 850,789
Contributions—member	-	-	-	-	-	-
Net investment income	1,996	345	104	-	-	-
Benefit payments, including refunds of member contributions	(239,323)	(337,880)	(501,605)	(618,629)	(705,257)	(1,100,056)
Administrative expense	(42,081)	(26,566)	(29,531)	(17,458)	(27,666)	(12,985)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	450,107	150,268	136,079	148,286	2,043	(262,252)
Plan fiduciary net position—beginning	1,049,699	899,431	763,352	615,066	613,023	875,275
Plan fiduciary net position—ending (b)	\$ 1,499,806	\$ 1,049,699	\$ 899,431	\$ 763,352	\$ 615,066	\$ 613,023
Plan's net pension liability—ending (a) - (b)	\$ 1,089,633	\$ 2,890,837	\$ 5,138,868	\$ 6,903,640	\$ 8,919,702	\$ 9,338,944
Plan fiduciary net position as a percentage of the total pension liability	57.92%	26.64%	14.90%	9.96%	6.45%	6.16%
Covered payroll	N/A	N/A	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	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 City's Proportionate Share of the Net Pension Liability
(Asset) as of Measurement Date 6/30/2020
LEOFF 1 (in thousands)**

	LEOFF 1		
	2020	2019	2018
City's proportion of the net pension liability (asset)	0.9423%	0.9457%	0.9470%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (17,795)	\$ (18,692)	\$ (17,192)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (120,365)	\$ (126,432)	\$ (116,288)
Total	\$ (138,160)	\$ (145,125)	\$ (133,481)
City's covered payroll (in thousands)	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	146.88%	148.78%	144.42%
	2017	2016	2015
City's proportion of the net pension liability (asset)	0.9544%	0.9642%	0.9613%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (14,481)	\$ (9,935)	\$ (11,586)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (97,946)	\$ (67,197)	n/a
Total	\$ (112,426)	\$ (77,132)	\$ (11,586)
City's covered payroll (in thousands)	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	135.96%	123.74%	127.36%

This table will be built prospectively until it contains 10 years of data

**Schedule of City's Proportionate Share of the Net Pension Liability
(Asset) as of Measurement Date 6/30/2020
LEOFF 2 (in thousands)**

	LEOFF 2		
	2020	2019	2018
City's proportion of the net pension liability (asset)	1.7228%	2.0243%	2.0463%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (35,144)	\$ (46,896)	\$ (41,545)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (22,472)	\$ (30,711)	\$ (26,900)
Total	\$ (57,615)	\$ (77,607)	\$ (68,445)
City's covered payroll (in thousands)	\$ 38,550	\$ 43,536	\$ 40,704
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-91.16%	-107.72%	-102.07%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	115.83%	119.43%	118.50%
	2017	2016	2015
City's proportion of the net pension liability (asset)	2.0211%	2.0361%	2.0020%
City's proportionate share of the net pension liability (asset) (in thousands)	\$ (28,046)	\$ (11,842)	\$ (20,576)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (18,193)	\$ (7,720)	n/a
Total	\$ (46,239)	\$ (19,563)	\$ (20,576)
City's covered payroll (in thousands)	\$ 38,050	\$ 36,731	\$ 34,918
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-73.71%	-32.24%	-58.93%
Plan's fiduciary net position as a percentage of the total pension liability (asset)	113.36%	106.04%	111.67%

This table will be built prospectively until it contains 10 years of data

Schedule of Employer Contributions

SERS as of 12/31/2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 11,527,854	\$ 11,078,489	\$ 10,044,342	\$ 9,765,949	\$ 9,853,762
Contributions in relation to the actuarially determined contribution	10,659,281	9,824,717	9,187,420	8,113,319	7,586,362
Contribution deficiency (excess)	\$ 868,573	\$ 1,253,772	\$ 856,922	\$ 1,652,630	\$ 2,267,400
Covered payroll	\$ 109,325,959	\$ 106,213,157	\$ 102,082,444	\$ 98,343,261	\$ 91,955,903
Contributions as a percentage of covered payroll	9.75%	9.25%	9.00%	8.25%	8.25%

	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 9,069,276	\$ 8,292,066	\$ 8,237,317	\$ 8,325,936	\$ 10,010,885
Contributions in relation to the actuarially determined contribution	7,398,945	6,822,279	6,715,376	6,937,750	6,799,258
Contribution deficiency (excess)	\$ 1,670,331	\$ 1,469,787	\$ 1,521,941	\$ 1,388,186	\$ 3,211,627
Covered payroll	\$ 89,684,182	\$ 86,139,886	\$ 86,650,013	\$ 89,519,355	\$ 90,264,062
Contributions as a percentage of covered payroll	8.25%	7.92%	7.75%	7.75%	7.53%

Notes to Schedule

Valuation date: December 31, 2020

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>	<u>Annual Increase</u>
<1	12.0%
1-2	10.0%

3	8.0%
4	5.0%
5-9	4.0%
10-19	3.0%
20+	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 12/31/2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ 3,819	\$ 98,333	\$ 519,891
Contributions in relation to the actuarially determined contribution	498,064	1,616,355	2,827,071	2,179,136	2,137,287
Contribution deficiency (excess)	<u>\$ (498,064)</u>	<u>\$ (1,616,355)</u>	<u>\$ (2,823,252)</u>	<u>\$ (2,080,803)</u>	<u>\$ (1,617,396)</u>
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
	2015	2014	2013	2012	
Actuarially determined contribution	\$ 519,891	\$ 864,697	\$ 864,697	\$ 1,070,804	
Contributions in relation to the actuarially determined contribution	2,314,579	1,515,765	2,183,389	439,804	
Contribution deficiency (excess)	<u>\$ (1,794,688)</u>	<u>\$ (651,068)</u>	<u>\$ (1,318,692)</u>	<u>\$ 631,000</u>	
Covered payroll	N/A	N/A	N/A	N/A	
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	

This table will be built prospectively until it contains 10 years of data

Notes to Schedule

Valuation date: December 31, 2020

Actuarial cost method	Entry age normal
Amortization method	30-year, closed as of January 1, 2007
Remaining amortization period	N/A – there is no unfunded liability as of December 31, 2020
Asset valuation method	Fair Market Value
Investment Rate of Return	3.0%
Projected Salary Increases	N/A
Inflation	2.25%
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 Projection 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 Projection 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 Projection 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 purposes of the valuation, it is assumed that no such forfeitures will occur.

Schedule of Employer Contributions

Police Pension as of 12/31/2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 79,226	\$ 201,820	\$ 345,413	\$ 447,851	\$ 585,998
Contributions in relation to the actuarially determined contribution	409,076	687,434	487,803	637,580	766,915
Contribution deficiency (excess)	\$ (329,850)	\$ (485,614)	\$ (142,390)	\$ (189,729)	\$ (180,917)
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

	2015	2014	2013	2012
Actuarially determined contribution	\$ 585,998	\$ 586,637	\$ 586,637	\$ 734,291
Contributions in relation to the actuarially determined contribution	707,300	837,804	845,079	869,885
Contribution deficiency (excess)	\$ (121,302)	\$ (251,167)	\$ (258,442)	\$ (135,594)
Covered payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

This table will be built prospectively until it contains 10 years of data

Notes to Schedule

Valuation date: December 31, 2020

Actuarial cost method Entry age normal

Amortization method 30-year, closed as of January 1, 2007

Remaining amortization period 17 years

Asset valuation method Fair Market Value

Records and Data Census data as well as financial information used for this valuation was received from the City and reviewed for reasonableness only. We have not performed a formal audit of the data used for this valuation.

Investment Rate of Return 3.0%

Projected Salary Increases N/A

Inflation 2.25%

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 Projection 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 Projection 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 Projection 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 purposes of the valuation, it is assumed that no such forfeitures will occur.

Schedule of Employer Contributions

LEOFF 1 as of 12/31/2020

City's Proportionate Share (in thousands)	2020	2019	2018
Contractually required contributions	\$ -	\$ -	\$ -
Actuarially Determined contribution (ADC)	-	-	-
Contributions in relation to the ADC	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -

Covered payroll	-	-	-
Contributions as a percentage of covered payroll	N/A	N/A	N/A

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

Covered payroll	-	-	-
Contributions as a percentage of covered payroll	N/A	N/A	N/A

This table will be built prospectively until it contains 10 years of data

Schedule of Employer Contributions

LEOFF 2 as of 12/31/2020

City's Proportionate Share (in thousands)	2020	2019	2018
Contractually required contributions	\$ 3,311	\$ 3,809	\$ 3,562
Actuarially Determined contribution (ADC)	3,311	3,452	3,207
Contributions in relation to the ADC	3,344	3,823	3,572
Contribution deficiency (excess)	\$ (32)	\$ (370)	\$ (365)

¹ Covered payroll	38,550	43,536	40,704
Contributions as a percentage of covered payroll	8.67%	8.78%	8.78%

¹ City's Proportionate Share of Covered Payroll provided by the state as of 6/30/2019

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

Covered payroll	38,049	36,731	34,918
Contributions as a percentage of covered payroll	8.40%	8.45%	8.45%

This table will be built prospectively until it contains 10 years of data

Schedule of Investment Returns as of 12/31/2020

Spokane Employee Retirement System (SERS)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	11.50%	18.40%	-6.30%	15.40%	6.71%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	-0.94%	5.34%	18.89%	11.70%	-2.80%

Fire

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	9.33%	5.99%	1.71%	2.17%	1.90%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	1.01%	2.58%	0.32%	5.97%	3.93%

Police

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	0.18%	2.14%	2.07%	0.90%	0.00%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	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 12/31/2019

	2020	2019	2018	2017
Total Firefighters' OPEB liability				
Service cost	\$ -	\$ -	\$ -	\$ 4,364
Interest	1,449,183	1,445,054	1,659,545	1,721,361
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	511,480	2,112,772	5,303,077	(889,509)
Changes of assumptions	165,821	-	(10,984,642)	-
Benefit payments, including refunds of member contributions	(3,599,371)	(3,240,950)	(3,014,467)	(2,770,305)
Net change in total opeb liability	(1,472,887)	316,876	(7,036,487)	(1,934,089)
Total opeb liability—beginning	50,105,797	49,788,921	56,825,408	58,759,497
Total opeb liability—ending (a)	\$ 48,632,910	\$ 50,105,797	\$ 49,788,921	\$ 56,825,408
Plan fiduciary net position				
Contributions—employer	\$ 2,695,985	\$ 2,511,285	\$ 2,880,818	\$ 2,777,670
Contributions—member	-	-	-	-
Net investment income	704,582	207,254	279,438	221,113
Benefit payments, including refunds of member contributions	(3,599,371)	(3,240,950)	(3,014,467)	(2,770,305)
Administrative expense	(272,417)	(268,822)	(294,117)	(276,975)
Other	-	-	-	-
Net change in plan fiduciary net position	(471,221)	(791,233)	(148,328)	(48,497)
Plan fiduciary net position—beginning	13,026,541	13,817,774	13,966,102	14,014,599
Plan fiduciary net position—ending (b)	\$ 12,555,320	\$ 13,026,541	\$ 13,817,774	\$ 13,966,102
Plan's net pension liability—ending (a) - (b)	\$ 36,077,590	\$ 37,079,256	\$ 35,971,147	\$ 42,859,306
Plan fiduciary net position as a percentage of the total opeb liability	25.82%	26.00%	27.75%	24.58%
Covered payroll	N/A	N/A	N/A	N/A
Plan's net opeb liability as a percentage of covered payroll	N/A	N/A	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 12/31/2019

	2020	2019	2018	2017
Total Police OPEB liability				
Service cost	\$ -	\$ -	\$ 2,352	\$ 5,875
Interest	1,804,042	1,595,089	1,939,973	1,999,833
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,035,511)	2,499,285	3,104,252	(3,649,221)
Changes of assumptions	4,005,879	(2,479,445)	(5,212,240)	(1,384,401)
Benefit payments, including refunds of member contributions	(2,478,236)	(2,695,330)	(2,274,588)	(2,473,394)
Net change in total opeb liability	2,296,174	(1,080,401)	(2,440,251)	(5,501,308)
Total opeb liability—beginning	49,346,919	50,427,320	52,867,571	58,368,879
Total opeb liability—ending (a)	\$ 51,643,093	\$ 49,346,919	\$ 50,427,320	\$ 52,867,571
Plan fiduciary net position				
Contributions—employer	\$ 2,706,416	\$ 2,917,954	\$ 2,518,563	\$ 2,703,355
Contributions—member	-	-	-	-
Net investment income	-	344	104	-
Benefit payments, including refunds of member contributions	(2,478,236)	(2,695,330)	(2,274,588)	(2,473,394)
Administrative expense	(228,180)	(222,968)	(244,079)	(229,961)
Other	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-
Plan fiduciary net position—ending (b)	\$ -	\$ -	\$ -	\$ -
Plan's net opeb liability—ending (a) - (b)	\$ 51,643,093	\$ 49,346,919	\$ 50,427,320	\$ 52,867,571
Plan fiduciary net position as a percentage of the total opeb liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Plan's net opeb liability as a percentage of covered payroll	N/A	N/A	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 12/31/2019

	2020	2019	2018	2017
Total Retiree Medical Plan 2 OPEB liability				
Service cost	\$ 580,385	\$ 715,217	\$ 518,369	\$ 512,615
Interest	345,763	336,643	301,836	275,198
Changes of benefit terms	-	-	1,306,207	-
Differences between expected and actual experience	(495,648)	(787,540)	(182,268)	(172,229)
Changes of assumptions	714,537	(1,007,464)	446,102	(181,786)
Benefit payments, including refunds of member contributions	(225,670)	(294,117)	(261,542)	(245,206)
Net change in total opeb liability	<u>919,367</u>	<u>(1,037,261)</u>	<u>2,128,704</u>	<u>188,592</u>
Total opeb liability—beginning	<u>8,752,805</u>	<u>9,790,066</u>	<u>7,661,362</u>	<u>7,472,770</u>
Total opeb liability—ending (a)	<u><u>\$ 9,672,172</u></u>	<u><u>\$ 8,752,805</u></u>	<u><u>\$ 9,790,066</u></u>	<u><u>\$ 7,661,362</u></u>
Plan fiduciary net position				
Contributions—employer	\$ 225,670	\$ 294,117	\$ 261,542	\$ 245,206
Contributions—member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(225,670)	(294,117)	(261,542)	(245,206)
Administrative expense	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Plan's total opeb liability—ending (a) – (b)	<u><u>\$ 9,672,172</u></u>	<u><u>\$ 8,752,805</u></u>	<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%	0.00%	0.00%
Covered-employee payroll	\$ 106,596,042	\$ 108,873,263	\$ 79,229,367	\$ 78,014,109
Plan's total opeb liability as a percentage of covered-employee payroll	9.07%	8.04%	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:

2020	2.75%
2019	3.75%
2018	3.25%
2017	3.75%

Other Postemployment Benefit
Schedule of Employer Contributions
Firefighters' Pension (in thousands) as of 12/31/2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 2,696	\$ 2,511	\$ 2,881	\$ 2,778	\$ 2,778
Contribution in Relation to the Actuarially Determined Contribution	2,696	2,511	2,881	2,778	2,778
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,377	\$ 3,377	\$ 5,056	\$ 5,056	\$ 4,311
Contribution in Relation to the Actuarially Determined Contribution	3,377	3,377	5,099	5,013	4,311
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: January 1, 2020

Actuarially determined contribution is determined for the plan year that ends in the fiscal year.

Methods and assumptions used to determine the contribution

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	18 years
Asset valuation method	Market value of assets
Rate of inflation	2.25% per year
Salary increase	None assumed
Investment rate of return	3.00% per year for current valuation
Discount rate	3.00% per year for current valuation
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
Retirement age	Rates vary by age from age 50 to 66

Other Postemployment Benefits
Schedule of Employer Contributions
Police Pension (in thousands) as of 12/31/2020

	2020	2019	2018	2017	2016
Actuarial determined contribution	\$ 3,864	\$ 3,616	\$ 3,763	\$ 3,944	\$ 3,944
Contribution in Relation to the Actuarially Determined Contribution	2,706	2,918	2,518	2,703	2,733
Contribution Deficiency (Excess)	1,157	698	1,245	1,241	1,211
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A
	2015	2014	2013	2012	2011
Actuarial determined contribution	\$ 4,380	\$ 4,380	\$ 5,877	\$ 5,877	\$ 4,573
Contribution in Relation to the Actuarially Determined Contribution	3,041	2,496	2,811	2,856	3,398
Contribution Deficiency (Excess)	1,339	1,884	3,066	3,021	1,175
Covered Payroll	-	-	-	-	-
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation Date: January 1, 2020

Actuarially determined contribution is determined for the plan year that ends in the fiscal year.

Methods and assumptions used to determine the contribution

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	18 years
Asset valuation method	Market value of assets
Rate of inflation	2.25% per year
Salary increase	None assumed
Investment rate of return	None assumed since no plan assets
Discount rate	3.00% per year for current valuation
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
Retirement age	None since there are no longer any active participants

Schedule of Investment Returns for OPEB held in trust as of 12/31/2020

Fire OPEB

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	9.33%	5.99%	1.71%	2.17%	1.90%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	1.01%	2.58%	0.32%	5.97%	3.93%

Police OPEB

Police	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	0.18%	2.14%	2.07%	0.90%	0.00%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to the Required Supplementary Information

For the Fiscal Year Ended December 31, 2020

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, 2020

Federal Agency (Pass-Through Agency)	Federal program	CFDA Number	OtherAward Number	Expenditures			Passed Through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG-Entitlement Grant Cluster								
U.S Department of Housing and Urban Development	Community Development Block Grants/Entitlements Grants	14.218	B-14-MC-53-0006 B-15-MC-53-0006 B-16-MC-53-0006 B-17-MC-53-0006 B-18-MC-53-0006 B-19-MC-53-0006 B-20-MC-53-0006 Program Income		4,385,158.93		3,118,325.33	4
					1,183,483.86		1,044,265.38	4, 5
			Subtotal		5,568,642.79	5,568,642.79	4,162,590.71	
	Total from CDBG-Entitlement Grant Cluster			-	5,568,642.79	5,568,642.79	4,162,590.71	
U.S Department of Housing and Urban Development	Emergency Solutions Grant Program	14.231	E18-MC-53-0006 E19-MC-53-0006 E20-MC-53-0006		202,287.55	202,287.55	174,316.07	4, 8
U.S Department of Housing and Urban Development	"Covid-19" Emergency Solutions Grant Program	14.231	E20-MW-53-0006		1,362,719.73	1,362,719.73	1,309,101.87	4
U.S. Department of Housing and Urban Development (via WA State Department of Commerce)	"Covid-19" Emergency Solutions Grant Program	14.231	20-4613C-125	172,903.35		172,903.35	149,882.87	4
			Total - CFDA 14.231	172,903.35	1,565,007.28	1,737,910.63	1,633,300.81	
U.S Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M-16-MC-53-0201 M-17-MC-53-0201 M-18-MC-53-0201 M-19-MC-53-0201 M-20-MC-53-0201 Program Income		887,775.80		853,638.49	4
					596,510.23		563,775.24	4, 5
			Subtotal		1,484,286.03	1,484,286.03	1,417,413.73	
U.S Department of Housing and Urban Development	Continuum of Care Program	14.267	WA0109L0T021811 WA0111L0T021811 WA0119L0T021811 WA0125L0T021811 WA0126L0T021803 WA0127L0T021811 WA0128L0T021811 WA0129L0T021811 WA0130L0T021811 WA0218L0T021808 WA0288L0T021808 WA0329L0T021803 WA0330L0T021803 WA0331L0T021803 WA0332L0T021803 WA0353L0T021803 WA0373L0T021802 WA0374L0T021802 WA0418L0T021800 WA0419L0T021800 WA0420L0T021800 WA0001U0T021901		3,339,895.86		2,794,662.68	4, 8
					144,657.03		144,657.03	4, 5
			Subtotal		3,484,552.89	3,484,552.89	2,939,319.71	
U.S. Department of the Interior (Via WA State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY20-CLG-SPOKANE	22,500.00		22,500.00		8
U.S. Department of the Interior (Via WA State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development, and Planning	15.916	16-1829	500,000.00		500,000.00		8
U.S. Department of Justice	"Covid-19" Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1699		221,579.55	221,579.55	83,000.00	
U.S. Department of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2019-WE-AX-0023		191,738.96	191,738.96	93,962.75	
U.S. Department of Justice (via Spokane County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0193	62,591.85		62,591.85		
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0336 2019-DJ-BX-0913		12,823.06 56,585.15	12,823.06 56,585.15	31,137.06	

			Subtotal	\$ -	69,408.21	69,408.21	31,137.06
			Total - CFDA 16.738	62,591.85	69,408.21	132,000.06	31,137.06
U.S. Department of Justice	Equitable Sharing Program	16.922	WA0320400		60,809.98	60,809.98	
Highway Planning and Construction Cluster							
U.S. Department of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	TAP-1220(030) STPUL-3756(005) STPUL-TAP-1220(038) CM-1220(034) BRM-3899(003) CM-1220(036) CM-3975(002) NHPP-9932(057) TAP-1220(040) BHM-3881(010) CM-9932(065) TAP-HLP-9932(066) STPUL-9932(064) CM-9932(067)	7,982,865.00		7,982,865.00	8
Total from Highway Planning and Construction Cluster				7,982,865.00	\$ -	7,982,865.00	
Highway Safety Cluster							
U.S. Department of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2020-AG-3583- DUI LEL FY2020 Distracted Driving FY2020 Impaired Driving FY2020 LEL FY2021 2021-AG-4035-DUI Traffic Safety Equip. FY20 2021-AG-4039	103,853.30		103,853.30	8
U.S. Department of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Program	20.616	Ped. Safety FY2020	20,000.00		20,000.00	
Total from Highway Safety Cluster				123,853.30	-	123,853.30	-
U.S. Department of Transportation (via Washington Traffic Safety Commission)	Minimum Penalties for Repeat Offenders for Driving while Intoxicated	20.608	2020-AG-3583-DUI Motorcycle Safety FY2020 2021-AG-4035-DUI 2020-AG-3577	117,374.54		117,374.54	8
U.S. Department of Treasury (via Washington State Department of Commerce)	"Covid-19" Coronavirus Relief Fund	21.019	21-4614-C222	419,155.95		419,155.95	398,844.69
U.S. Department of Treasury (via Administrative Office of the Courts)	"Covid-19" Coronavirus Relief Fund	21.019	912150	62,749.14		62,749.14	
U.S. Department of Treasury (via Washington State Office of Public Defense)	"Covid-19" Coronavirus Relief Fund	21.019	GRT120001	24,873.81		24,873.81	
U.S. Department of Treasury (via Washington State Department of Commerce)	"Covid-19" Coronavirus Relief Fund	21.019	20-6541C-328	9,990,000.00		9,990,000.00	6,700,419.21
U.S. Department of Treasury (via Spokane County)	"Covid-19" Coronavirus Relief Fund	21.019	2020-0789	1,298,342.76		1,298,342.76	
Total - CFDA 21.019				11,795,121.66	-	11,795,121.66	7,099,263.90
Institute of Museum and Library Services (via Washington State Library)	Grants to States	45.310	CAG-ML-FY20	6,000.00		6,000.00	8
Environmental Protection Agency	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	BF-01J65801 BF-01J39701		596,207.04	596,207.04	
Department of Homeland Security	National Fire Academy Training Assistance	97.018	Nation Fire Academy		802.40	802.40	6(a)
Department of Homeland Security (via Spokane County)	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	4481-DR-WA	100,000.00		100,000.00	81,283.03
Department of Homeland Security	"Covid-19" Assistance to Firefighters Grant	97.044	EMW-2020-FG-00351		891.08	891.08	8

Department of Homeland Security	Homeland Security Grant Program	97.067	EMW-2019-SS-00047-S01	9,998.87	9,998.87		
TOTAL FEDERAL AWARDS EXPENDED				20,883,209.70	13,253,925.08	34,137,134.78	17,541,271.70

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, 2020**

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 – Federal De Minimis Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Federal Loans

The City was approved by the EPA to receive loans to improve its drinking water system. No funding was received that is required to be reported this year.

Both the current and prior year loans are also reported on the City's Schedule of Liabilities.

Note 4 – Indirect Cost Rate

The amount expended includes amounts claimed as an indirect cost recovery using an indirect cost rate of up to 94.90%, depending on the allowable maximum amount per the grant and the department charging the grant.

Note 5 – 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 \$983,621.53 and is presented in this schedule. The amount of principal received in loan repayments for the year was \$1,624,784.44.

Program	Balance 1/1/2020	Loans Disbursed	Payments Received	Forgiveness Write-offs, & Adjustments	Balance 12/31/2020
CDBG	\$14,972,363.14	\$303,848.51	(\$1,148,442.30)	\$544,735.17	\$14,672,504.52
HOME	\$18,636,014.26	\$679,773.02	(\$224,560.97)	(\$126,247.01)	\$18,964,979.30
Lead Safe Spokane	\$675,325.54		(\$11,066.91)	(\$4,155.21)	\$660,103.42
Housing Assistance/ Neighborhood Stabilization	\$4,741,136.09		(\$240,714.26)	\$772.86	\$4,501,194.69
Total	\$39,024,839.03	\$983,621.53	(\$1,624,784.44)	\$415,105.81	\$38,798,781.93

Note 6 – Noncash Awards –Travel

- (a) The City received airfare costs to attend "National Fire Academy in Emmitsburg, MD" from FEMA. The amount reported on the SEFA is the value of the federally paid portion of the travel costs.

Note 7 – Noncash Awards – Equipment

The City did not receive any equipment or supplies that were purchased with federal funding.

Note 8 – 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.

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2020

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
ASSETS					
Cash and cash equivalents	\$ 5,692,814	\$ 204,080	\$ 149,966	\$ 177,840	\$ 244
Deposits with fiscal agents/trustees	-	-	-	-	-
Equity in pooled investments	27,158,768	122,323	3,408,581	106,594	146
Taxes receivable	17,339,000	-	-	-	-
Accounts receivable	3,058,598	-	2,740	10,703	-
Interest receivable	487,812	-	2,753	-	-
Due from other funds	13,055,650	56,962	9,245	724	-
Interfund loan receivable	8,835,584	-	129,221	-	-
Due from other governments	372,583	-	-	-	-
Advances to other funds	3,545,791	-	492,437	-	-
Prepays	-	-	3,000	-	-
Notes/contract receivable (non-current)	-	-	-	-	-
Total Assets	79,546,600	383,365	4,197,943	295,861	390
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	79,546,600	383,365	4,197,943	295,861	390
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts/vouchers payable	2,909,898	6,850	123,933	2,873	-
Due to other funds	4,064,850	499,965	540	1,094	390
Due to other governments	892,610	-	-	-	-
Other accrued liabilities	12,581,090	16,520	84,160	-	-
Other current liabilities	667,099	-	98	-	-
Total Liabilities	21,115,547	523,335	208,731	3,967	390
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,538,997	-	-	-	-
Total Deferred Inflows of Resources	1,538,997	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	22,654,544	523,335	208,731	3,967	390
FUND BALANCE:					
Nonspendable	3,552,791	-	492,437	-	-
Restricted - grants	-	-	-	-	-
Committed	7,362,902	-	-	291,894	-
Assigned	25,248,265	-	3,496,775	-	-
Unassigned	20,728,098	(139,970)	-	-	-
Total Fund Balance (Deficit)	56,892,056	(139,970)	3,989,212	291,894	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 79,546,600	\$ 383,365	\$ 4,197,943	\$ 295,861	\$ 390

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2020
(Continued)

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
ASSETS				
Cash and cash equivalents	\$ 51,806	\$ 238,214	\$ 112	\$ 14,111
Deposits with fiscal agents/trustees	-	-	-	-
Equity in pooled investments	32,055	143,499	196,039	8,458
Taxes receivable	-	-	-	-
Accounts receivable	-	10,348	3,501	-
Interest receivable	-	398	397	-
Due from other funds	-	63	289	-
Interfund loan receivable	39	28	6,726	-
Due from other governments	-	-	-	-
Advances to other funds	148	106	25,633	-
Prepays	-	-	-	-
Notes/contract receivable (non-current)	-	96,380	1,935	-
Total Assets	84,048	489,036	234,632	22,569
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	84,048	489,036	234,632	22,569
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts/vouchers payable	-	208,777	-	-
Due to other funds	-	46	46	-
Due to other governments	-	-	-	-
Other accrued liabilities	-	-	-	-
Other current liabilities	-	-	-	-
Total Liabilities	-	208,823	46	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	-	208,823	46	-
FUND BALANCE:				
Nonspendable	148	106	25,633	-
Restricted - grants	-	280,107	208,953	-
Committed	-	-	-	-
Assigned	83,900	-	-	22,569
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	84,048	280,213	234,586	22,569
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 84,048	\$ 489,036	\$ 234,632	\$ 22,569

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2020
(Continued)

	Emergency Medical Services	Eliminations	Total
ASSETS			
Cash and cash equivalents	\$ 8,770	\$ -	\$ 6,537,957
Deposits with fiscal agents/trustees	10,226	-	10,226
Equity in pooled investments	826	-	31,177,289
Taxes receivable	836,267	-	18,175,267
Accounts receivable	54,622	-	3,140,512
Interest receivable	7	-	491,367
Due from other funds	1,903,909	(5,375,669)	9,651,173
Interfund loan receivable	19	-	8,971,617
Due from other governments	286,054	-	658,637
Advances to other funds	72	-	4,064,187
Prepays	4,000	-	7,000
Notes/contract receivable (non-current)	-	-	98,315
Total Assets	3,104,772	(5,375,669)	82,983,547
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	3,104,772	(5,375,669)	82,983,547
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/vouchers payable	165,784	-	3,418,115
Due to other funds	3,292,019	(5,375,669)	2,483,281
Due to other governments	-	-	892,610
Other accrued liabilities	588,154	-	13,269,924
Other current liabilities	10,998	-	678,195
Total Liabilities	4,056,955	(5,375,669)	20,742,125
DEFERRED INFLOWS OF RESOURCES			
Property taxes	133,639	-	1,672,636
Total Deferred Inflows of Resources	133,639	-	1,672,636
Total Liabilities Plus Deferred Inflows of Resources	4,190,594	(5,375,669)	22,414,761
FUND BALANCE:			
Nonspendable	72	-	4,071,187
Restricted - grants	-	-	489,060
Committed	-	-	7,654,796
Assigned	-	-	28,851,509
Unassigned	(1,085,894)	-	19,502,234
Total Fund Balance (Deficit)	(1,085,822)	-	60,568,786
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,104,772	\$ (5,375,669)	\$ 82,983,547

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, 2020
(Continued)

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
REVENUES					
Taxes	\$ 160,700,382	\$ -	\$ 1,492,099	\$ -	\$ -
Licenses and permits	6,412,102	-	-	-	-
Intergovernmental	11,587,712	9,497	38,093	-	-
Charges for services	17,777,516	1,320,517	55,122	-	-
Fines and forfeitures	1,239,868	-	10,961	-	-
Miscellaneous	6,422,308	-	128,950	198,732	-
Net inc(dec) in market value of investments	5,260,329	-	-	-	-
Total Revenues	209,400,217	1,330,014	1,725,225	198,732	-
EXPENDITURES					
Current:					
General government	40,387,257	-	-	-	-
Public safety	66,789,404	1,942,704	-	-	-
Transportation	6,446,353	-	-	154,913	-
Economic environment	4,366,720	-	-	-	-
Social services	3,943,500	-	-	-	-
Culture and recreation	821,816	-	8,491,895	-	-
Capital outlays	161,381	-	885,768	-	-
Debt service:					
Interest	64,187	-	-	-	-
Total Expenditures	122,980,618	1,942,704	9,377,663	154,913	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,419,599	(612,690)	(7,652,438)	43,819	-
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	93,632	-	6,526	-	-
Proceeds of bonds issued	21,601,900	-	-	-	-
Payment to escrow agent for refunded bond debt	(21,545,000)	-	-	-	-
Transfers in	184,608	564,243	8,646,519	-	-
Transfers out	(87,538,299)	-	(47,431)	-	-
Total Other Financing Sources (Uses)	(87,203,159)	564,243	8,605,614	-	-
Net Change in Fund Balance	(783,560)	(48,447)	953,176	43,819	-
Fund Balance - beginning (Note 1)	61,274,432	(91,523)	3,036,036	248,075	-
Prior Period Adjustment	(3,598,816)	-	-	-	-
Fund Balance - ending	\$ 56,892,056	\$ (139,970)	\$ 3,989,212	\$ 291,894	\$ -

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, 2020
(Continued)

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	11	4,335	4,284	-
Net inc(dec) in market value of investments	-	-	8,588	-
Total Revenues	11	4,335	12,872	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	343,449	12,713	-
Social services	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlays	-	-	-	-
Debt service:				
Interest	-	-	-	-
Total Expenditures	-	343,449	12,713	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	11	(339,114)	159	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Proceeds of bonds issued	-	-	-	-
Payment to escrow agent for refunded bond debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	11	(339,114)	159	-
Fund Balance - beginning (Note 1)	84,037	619,327	234,427	22,569
Prior Period Adjustment	-	-	-	-
Fund Balance - ending	\$ 84,048	\$ 280,213	\$ 234,586	\$ 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, 2020
(Continued)

	Emergency Medical Services	Eliminations	Total
REVENUES			
Taxes	\$ 8,908,067	\$ -	\$ 171,100,548
Licenses and permits	288,108	-	6,700,210
Intergovernmental	515,876	-	12,151,178
Charges for services	1,508,836	-	20,661,991
Fines and forfeitures	36,085	-	1,286,914
Miscellaneous	51,071	-	6,809,691
Net inc(dec) in market value of investments	-	-	5,268,917
Total Revenues	11,308,043	-	223,979,449
EXPENDITURES			
Current:			
General government	-	-	40,387,257
Public safety	55,544,419	-	124,276,527
Transportation	-	-	6,601,266
Economic environment	-	-	4,722,882
Social services	-	-	3,943,500
Culture and recreation	-	-	9,313,711
Capital outlays	10,602	-	1,057,751
Debt service:			
Interest	328	-	64,515
Total Expenditures	55,555,349	-	190,367,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,247,306)	-	33,612,040
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	33,046	-	133,204
Proceeds of bonds issued	-	-	21,601,900
Payment to escrow agent for refunded bond debt	-	-	(21,545,000)
Transfers in	44,071,173	(53,281,935)	184,608
Transfers out	(17,980)	53,281,935	(34,321,775)
Total Other Financing Sources (Uses)	44,086,239	-	(33,947,063)
Net Change in Fund Balance	(161,067)	-	(335,023)
Fund Balance - beginning (Note 1)	(908,205)	-	64,519,175
Prior Period Adjustment	(16,550)	-	(3,615,366)
Fund Balance - ending	\$ (1,085,822)	\$ -	\$ 60,568,786

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 167,435,907	\$ 167,435,907	\$ 160,700,382	\$ (6,735,525)
Licenses and permits	6,912,000	6,912,000	6,412,102	(499,898)
Intergovernmental	3,832,632	12,088,120	11,587,712	(500,408)
Charges for services	18,890,088	18,966,766	17,777,516	(1,189,250)
Fines and forfeitures	2,510,650	2,510,650	1,239,868	(1,270,782)
Miscellaneous	7,293,900	7,293,900	6,422,308	(871,592)
Net inc(dec) in market value of investments	-	-	5,260,329	5,260,329
Total revenues	206,875,177	215,207,343	209,400,217	(5,807,126)
EXPENDITURES				
General government	35,822,484	44,584,982	40,387,257	4,197,725
Public safety	65,313,427	65,529,290	66,789,404	(1,260,114)
Transportation	7,088,610	7,166,900	6,446,353	720,547
Economic environment	5,626,026	8,434,689	4,366,720	4,067,969
Social services	2,941,306	4,919,278	3,943,500	975,778
Culture and recreation	792,446	884,236	821,816	62,420
Capital outlays	50,014	190,775	161,381	29,394
Debt service:				
Interest and other related costs	-	-	64,187	(64,187)
Total expenditures	117,634,313	131,710,150	122,980,618	8,729,532
Excess (deficiency) of revenues over (under) expenditures	89,240,864	83,497,193	86,419,599	2,922,406
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	40,000	40,000	93,632	53,632
Proceeds of bonds issued	-	-	21,601,900	21,601,900
Payment to escrow agent for refunded bond debt	-	-	(21,545,000)	(21,545,000)
Transfers in	184,984	184,984	184,608	(376)
Transfers out	(89,284,125)	(88,119,574)	(87,538,299)	581,275
Total other financing sources (uses)	(89,059,141)	(87,894,590)	(87,203,159)	691,431
Net change in fund balance	181,723	(4,397,397)	(783,560)	3,613,837
Fund Balance - beginning	37,407,050	26,029,848	61,274,432	35,244,584
Prior Period Adjustment	-	-	(3,598,816)	(3,598,816)
Fund Balance - ending	\$ 37,588,773	\$ 21,632,451	\$ 56,892,056	\$ 35,259,605

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Code Enforcement
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 9,341	\$ 9,497	\$ 156
Charges for services	1,202,890	1,202,890	1,320,517	117,627
Total revenues	1,202,890	1,212,231	1,330,014	117,783
EXPENDITURES				
Public safety	1,982,774	2,011,557	1,942,704	68,853
Total expenditures	1,982,774	2,011,557	1,942,704	68,853
Excess (deficiency) of revenues over (under) expenditures	(779,884)	(799,326)	(612,690)	186,636
OTHER FINANCING SOURCES (USES)				
Transfers in	836,885	836,885	564,243	(272,642)
Total other financing sources (uses)	836,885	836,885	564,243	(272,642)
Net change in fund balance	57,001	37,559	(48,447)	(86,006)
Fund Balance - beginning	670,131	426,037	(91,523)	(517,560)
Fund Balance - ending	<u>\$ 727,132</u>	<u>\$ 463,596</u>	<u>\$ (139,970)</u>	<u>\$ (603,566)</u>

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 1,493,558	\$ 1,493,558	\$ 1,492,099	\$ (1,459)
Intergovernmental	50,000	78,385	38,093	(40,292)
Charges for services	216,000	64,000	55,122	(8,878)
Fines and forfeitures	40,000	20,000	10,961	(9,039)
Miscellaneous	79,245	34,349	128,950	94,601
Total revenues	1,878,803	1,690,292	1,725,225	34,933
EXPENDITURES				
Culture and recreation	9,568,274	9,524,851	8,491,895	1,032,956
Capital outlays	1,194,918	1,054,918	885,768	169,150
Total expenditures	10,763,192	10,579,769	9,377,663	1,202,106
Excess (deficiency) of revenues over (under) expenditures	(8,884,389)	(8,889,477)	(7,652,438)	1,237,039
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	6,526	6,526
Transfers in	9,046,519	9,046,519	8,646,519	(400,000)
Transfers out	(56,996)	(56,996)	(47,431)	9,565
Total other financing sources (uses)	8,989,523	8,989,523	8,605,614	(383,909)
Net change in fund balance	105,134	100,046	953,176	853,130
Fund Balance - beginning	1,216,396	1,184,795	3,036,036	1,851,241
Fund Balance - ending	\$ 1,321,530	\$ 1,284,841	\$ 3,989,212	\$ 2,704,371

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 190,000	\$ 190,000	\$ 198,732	\$ 8,732
Total revenues	190,000	190,000	198,732	8,732
EXPENDITURES				
Transportation	193,794	201,435	154,913	46,522
Capital outlays	40,000	40,000	-	40,000
Total expenditures	233,794	241,435	154,913	86,522
Net change in fund balance	(43,794)	(51,435)	43,819	95,254
Fund Balance - beginning	63,974	63,974	248,075	184,101
Fund Balance - ending	<u>\$ 20,180</u>	<u>\$ 12,539</u>	<u>\$ 291,894</u>	<u>\$ 279,355</u>

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Parking Facilities
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
TOTAL	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	-	-	-	-
Fund Balance - beginning	390	390	-	(390)
Fund Balance - ending	<u>\$ 390</u>	<u>\$ 390</u>	<u>\$ -</u>	<u>(390)</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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 5	\$ 5	\$ 11	\$ 6
Total revenues	5	5	11	6
EXPENDITURES				
Capital outlays	84,040	84,040	-	84,040
Total expenditures	84,040	84,040	-	84,040
Net change in fund balance	(84,035)	(84,035)	11	84,046
Fund Balance - beginning	19	19	84,037	84,018
Fund Balance - ending	<u>\$ (84,016)</u>	<u>\$ (84,016)</u>	<u>\$ 84,048</u>	<u>\$ 168,064</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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 8,300	\$ 8,300	\$ 4,335	\$ (3,965)
Total revenues	8,300	8,300	4,335	(3,965)
EXPENDITURES				
Economic environment	508,300	508,300	343,449	164,851
Total expenditures	508,300	508,300	343,449	164,851
Net change in fund balance	(500,000)	(500,000)	(339,114)	160,886
Fund Balance - beginning	(349,934)	(349,934)	619,327	969,261
Fund Balance - ending	<u>\$ (849,934)</u>	<u>\$ (849,934)</u>	<u>\$ 280,213</u>	<u>\$ 1,130,147</u>

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Miscellaneous	\$ 3,300	\$ 3,300	\$ 4,284	\$ 984
Net inc(dec) in market value of investments	-	-	8,588	8,588
Total revenues	3,300	3,300	12,872	9,572
EXPENDITURES				
Economic environment	216,300	216,300	12,713	203,587
Total expenditures	216,300	216,300	12,713	203,587
Net change in fund balance	(213,000)	(213,000)	159	213,159
Fund Balance - beginning	(196,692)	(196,692)	234,427	431,119
Fund Balance - ending	\$ (409,692)	\$ (409,692)	\$ 234,586	\$ 644,278

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Cumulative Reserve
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
TOTAL	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	-	-	-	-
Fund Balance - beginning	22,569	22,569	22,569	-
Fund Balance - ending	\$ 22,569	\$ 22,569	\$ 22,569	\$ -

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes	\$ 8,933,000	\$ 8,933,000	\$ 8,908,067	\$ (24,933)
Licenses and permits	370,000	370,000	288,108	(81,892)
Intergovernmental	5,000	1,238,887	515,876	(723,011)
Charges for services	958,551	1,292,813	1,508,836	216,023
Fines and forfeitures	201,000	201,000	36,085	(164,915)
Miscellaneous	14,000	14,000	51,071	37,071
Total revenues	10,481,551	12,049,700	11,308,043	(741,657)
EXPENDITURES				
Public safety	54,459,574	55,518,013	55,544,419	(26,406)
Capital outlays	20,000	121,427	10,602	110,825
Interest and other related costs	-	-	328	(328)
Total expenditures	54,479,574	55,639,440	55,555,349	84,091
Excess (deficiency) of revenues over (under) expenditures	(43,998,023)	(43,589,740)	(44,247,306)	(657,566)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	33,046	33,046
Transfers in	44,071,173	44,071,173	44,071,173	-
Transfers out	(48,150)	(48,150)	(17,980)	30,170
Total other financing sources (uses)	44,023,023	44,023,023	44,086,239	63,216
Net change in fund balance	25,000	433,283	(161,067)	(594,350)
Fund Balance - beginning	2,939,118	2,763,463	(908,205)	(3,671,668)
Prior Period Adjustment	-	-	(16,550)	(16,550)
Fund Balance - ending	\$ 2,964,118	\$ 3,196,746	\$ (1,085,822)	\$ (4,282,568)



CITY OF SPOKANE
808 W. SPOKANE FALLS BLVD.
SPOKANE, WASHINGTON 99201-3327
509.625.6250

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Spokane
January 1, 2020 through December 31, 2020

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2020-001	Finding caption: The City charged the Coronavirus Relief Fund for subrecipients' indirect costs that were unallowable.
Name, address, and telephone of City contact person: Tonya Wallace, Chief Financial Officer W. 808 Spokane Falls Blvd. Spokane, WA 99201-3304 (509) 625-6845	
Corrective action the auditee plans to take in response to the finding: <i>This finding was the result of a change in the Coronavirus Relief Fund (CFR) program guidance updated on September 2, 2020 by the U.S. Department of Treasury. The City received the updated guidance from the Washington State Department of Commerce on October 8, 2020 via email which was unfortunately overlooked while assisting local partners on administering vital programs for the Spokane community. The City did not receive any formal contractual documents between the State and the City as amended to reflect this change.</i> <i>The City acted in good faith in contracting with community partners to deliver aid and assistance to constituents using the guidance and direction available at the time from the Department of Treasury and the Department of Commerce. These contracts allowed for appropriate and necessary costs incurred by the City's partners to deliver services, including indirect costs for administration and overhead. It is unfortunate that a late change in guidance,</i>	

issued after contracts were executed and much work was completed, caused this audit finding. As stated in a recent email from the Department of Commerce, “We do not see this (audit finding) as a fault on the City but purely due to the circumstances in which we all had to operate under. We value the quality of the work that your team did under this contract for the state and your community”.

As part of the City’s effort to ensure the community received as much direct benefit as possible from the CFR program, the City itself did not utilize the indirect cost rate of 10 percent as allowed by the grant agreement. It should be emphasized that the amount of \$87,384 represents approximately 0.7% of the subrecipient grant cluster. Overall, City staff administered this highly complex and time sensitive program professionally while maintaining adequate internal controls which ensured that the City materially complied with the program’s allowable activities and cost requirements.

Once these unallowable costs were brought to the attention of City staff by the State Auditor’s Office, corrected billings were prepared, submitted, and accepted by the Department of Commerce prior to the report date of this audit. The City considers this issue to be fully corrected.

The City appreciates the time and effort the State Auditor’s Office put forth while conducting the audit and working with staff to ensure the City is compliant with all federal rules, laws, and regulations.

Anticipated date to complete the corrective action: Completed.

ABOUT THE STATE AUDITOR'S OFFICE

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In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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