Washington State Auditor's Office
Troy Kelley
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Financial Statements and Federal Single Audit Report

Spokane County

For the period January 1, 2013 through December 31, 2013

Published September 25, 2014

Report No. 1012660

Washington State Auditor
Troy Kelley

September 25, 2014

Board of Commissioners
Spokane County
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

Insurance Building, P.O. Box 40021 ☐Olympia, Washington 98504-0021 ☐(360) 902-0370 ☐TDD Relay (800) 833-6388

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January 1, 2013 through December 31, 2013

Federal Summary

Spokane County
January 1, 2013 through December 31, 2013

The results of our audit of Spokane County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 County.

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County’s compliance with requirements applicable to each of its major federal programs, with the exception of the HOME Investment Partnerships Program on which we issued a qualified opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
14.218	CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
93.275	Substance Abuse and Mental Health Services - Access to Recover
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $479,610.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

Spokane County
January 1, 2013 through December 31, 2013

1. The County's Community Development Department lacks internal controls to ensure compliance with federal suspension and debarment requirements.

CFDA Number and Title:	14.239 HOME Investment Partnerships Program
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	M09-UC-53-0203 M11-UC-53-0203
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	$0

Description of Condition

The Community Development Department spent $1,439,707 under the HOME Investments Partnerships Program in 2013. The funds were used for administration and planning, tenant-based rental assistance, and interest-bearing loans for the construction of low-income housing.

Federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of $25,000 or more and all subawards, the Department must ensure the vendor or subrecipient is not suspended or debarred.

If a vendor certifies in writing that its organization has not been suspended or debarred, the grantee may rely on that certification. Alternatively, the grantee may check for suspended or debarred parties by reviewing the federal Excluded Parties List issued by the U.S. General Services Administration. Additionally, recipients are required to inform subrecipients and vendors of their responsibility to check the suspension and debarment status for any covered transactions they enter into. These requirements should be met prior to entering into a contract with the subrecipient or vendor.

During 2013, the Department made loans for the construction of low-income housing of $1,339,302 to two developers. The Department did not verify the federal suspension and debarment status of these developers. In addition, developers were not informed of their responsibility to check the suspension and debarment status for any covered transactions they enter into with subcontractors.

Cause of Condition

District staff responsible for this program was not aware that suspension and debarment requirements applied to loans for construction of low-income housing.

Effect of Condition

Inadequate internal controls over the suspension and debarment requirement increases the risk of awarding funds to parties who are suspended or debarred from federal projects. If a party is suspended or debarred, any payment to them is unallowable and subject to repayment. The control deficiency resulted in noncompliance that affected more than 90 percent of program funding, therefore we consider this a material weakness.

We were able to verify that the developers were not suspended or debarred; therefore, we will not question these costs.

Recommendation

We recommend the Community Development Department develop internal controls to ensure developers are:

- Not suspended or debarred prior to entering into a contract, and
- Informed of their responsibility to check the suspension and debarment status for any covered transactions they enter into with subcontractors.

County's Response

1. As part of the Department's Affordable Housing Program Application, the Department will include a Suspended and Debarred Certification that provides Spokane County a signed, dated acknowledgment as to the effect that the individual, agency, or organization, have not been suspended or debarred prior to entering a HOME Agreement with Spokane County.

2. As part of the Departments Affordable Housing Program HOME Agreement, language shall be included informing the individual, agency, or organization of their responsibility to check the suspension and debarment status for any covered transactions they enter into with subcontractors.

Auditor's Remarks

We thank the County for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations,* Section 300, states in part:

> The auditee shall:
>
> (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 2, Code of Federal Regulations, Section 180.200 - What is a covered transaction?

> A covered transaction is a non-procurement or procurement transaction that is subject to the prohibitions of this part. It may be a transaction at –
>
> (a) The primary tier, between a Federal agency and a person (see appendix to this part); or
>
> (b) A lower tier, between a participant in a covered transaction and another person.

Title 2, Code of Federal Regulations, Section 180.330 - What requirements must I pass down to persons at lower tiers with whom I intend to do business?

> Before entering into a covered transaction with a participant at the next lower tier, you must require that participant to –
>
> > (a) Comply with this subpart as a condition of participation in the transaction. You may do so using any method(s), unless the regulation of the Federal agency responsible for the transaction requires you to use specific methods.
> >
> > (b) Pass the requirement to comply with this subpart to each person with whom the participant enters into a covered transaction at the next lower tier.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* Section 500, states in part:

> (a) The audit shall be conducted in accordance with GAGAS.

Government Auditing Standards, December 2011 Revision, paragraph 4.23, states:

> **4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

> **.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:
>
> Material weakness. A deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
>
> Significant deficiency. 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.

Schedule of Federal Audit Findings and Questioned Costs

Spokane County
January 1, 2013 through December 31, 2013

2. The Public Works Department lacked internal controls to ensure compliance with allowable cost requirements for its Highway Planning and Construction grant.

CFDA Number and Title:	20.205 Highway Planning and Construction
Federal Grantor Name:	U.S. Department of Transportation
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Department of Transportation
Pass-through Award/Contract Number:	LA 7345
Questioned Cost Amount:	$206,990.46

Background

During 2013, the County spent $6,038,731 in federal Highway Planning and Construction grant funds for work on roads and bridges.

Several projects were funded by this grant and each project had specific grant guidelines. We judgmentally selected five projects for audit, of which four had no issues. This finding addresses the Little Spokane River Bridge project. The Department received grant funds on a reimbursement basis for this project.

Description of Condition

Grant recipients must have internal controls in place to ensure compliance with grant award and federal requirements.

The project award document states the Department must comply with the Local Agency Guidelines manual (LAG). According to this manual, reimbursements for bridge approach costs are limited to 15 percent of the total allowable bridge costs. When Public Works Department personnel prepared the reimbursement requests this requirement was not considered. In addition, the review performed by the County's Office of Financial Assistance was not sufficient to identify this error.

Cause of Condition

The Public Works and Office of Financial Assistance departments have experienced significant turnover in personnel which resulted in this LAG manual requirement being overlooked. Public Works Department staff identified the unallowable costs and brought the overpayment to our attention during the audit. We consider this internal control deficiency a control weakness. The control weakness is not considered a significant deficiency.

Effect of Condition and Questioned Costs

The County was reimbursed for bridge approach costs in excess of the 15 percent limitation of $32,857.03 in 2012 and $174,133.43 in 2013, for a total of questioned costs of $206,990.46. The County repaid the Washington State Department of Transportation (WSDOT) $206,990.46 on June 24, 2014.

Recommendation

We recommend the County's Public Works Department and Office of Financial Assistance strengthen internal controls to ensure compliance with allowable cost requirements. In addition, we recommend the County continue to work with WSDOT to ensure the matter of these questioned costs is fully resolved.

County's Response

Spokane County failed to restrict billings to 15% of bridge approach costs for the Little Spokane River Bridge project. This percentage restriction is detailed in the Local Agency Guidelines manual (LAG) requirements. This oversight resulted in an overpayment to the County from Washington State Department of Transportation (WSDOT). Prior to the review of this grant by the State Auditor's Office, a County staff member discovered the overpayment and brought to the attention of the Spokane County Finance Director.

Due to staff turnover newer employees were unaware of the requirements related to LA 7345. To improve internal controls and prevent this oversight from re-occurring, County staff has received training in how to review and follow grant requirements, including allowable grant costs, both direct and indirect. This training also included grant monitoring procedures and requirements of grant closeout. In addition, billings are prepared by the Public Works staff who reviews for allowable costs before submitting to the grants management office, for additional review of allowable direct and indirect costs. Every effort is being made to train new staff in grant requirements.

The County has submitted to WSDOT on June 24, 2014, the amount of $206,990.46, which reimbursed the State for the overpayment.

Auditor's Remarks

We thank the County for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulation

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

> The auditee shall:
>
> (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
>
> (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Washington State Department of Transportation Local Agency Guidelines, M 36-63.25, Chapter 34, page 7 – 8, states in part:

> 13. Mobilization – Prorated by costs of bridge and approach work.
>
> Approach costs will be limited to 15 percent of the above items.

Schedule of Prior Federal Audit Findings

Spokane County
January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Spokane County. The State Auditor's Office has reviewed the status as presented by the County.

<table>
<tr><td>Audit Period:
1/1/2010 -
12/31/2010</td><td>Report Reference No.: 1006356</td><td>Finding Reference No.: 1</td><td>CFDA Number(s):
20.205</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
Highway Planning and Construction ,U.S. Department of Transportation</td><td colspan="2">Pass-Through Agency Name:
Department of Transportation</td></tr>
<tr><td colspan="4">Finding Caption:
The County's internal controls are inadequate to ensure compliance with requirements of the federal Highway Planning and Construction program, resulting in the loss of its ability to acquire right-of-way property until remedial actions are deemed satisfactory by the Federal Highway Administration.</td></tr>
<tr><td colspan="4">Background:
The County's controls over right-of-way acquisition for the Bigelow Gulch Road Project did not ensure compliance with the Uniform Relocation Assistance and Real Property Acquisition Policy Act.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
☐ Fully Corrected   ☒ Partially Corrected   ☐ No Corrective Action Taken   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
Spokane County entered into a Memorandum, of Agreement (MOA) with the U.S. Department of Transportation, Federal Highway Administration (FHWA) and the Washington State Department of Transportation (WSDOT) on January 25, 2012, to resolve the compliance issues. Further, the County entered into a contract with the WSDOT on August 12, 2012, wherein WSDOT would provide the following services: land acquisition, relocation, and relocation related services to the County in conjunction with the remediation actions.

Remediation actions included, but were not limited to: addressing deficiencies in the property acquisition program for the project, and staff training. Staff training took place in July 2012, and property valuation and acquisition functions are now performed with WSDOT approved consultants with WSDOT oversight.

Questioned costs of $689,011.95 were reimbursed to WSDOT in September, 2012.

In February 2014, Spokane County, WSDOT and FHWA executed an additional agreement</td></tr>
</table>

wherein FHWA acknowledged that the remedial work performed under the January 2012 MOA was being performed sufficiently and was near completion. It is expected that the MOA will be completed by December 2014. In addition, FHWA approved reimbursement for costs associated with NEPA re-evaluation incurred by Spokane County after February 2014.

Audit Period: 1/1/2012 - 12/3120/12	**Report Reference No.:** 1010460	**Finding Reference No.:** 1	**CFDA Number(s):** 14.218 and 14.253
Federal Program Name and Granting Agency: Community Development Block Grant Entitlement Grants and Community Development Block Grant ARRA Entitlement Grants, U.S. Department of Housing and Urban Development		**Pass-Through Agency Name:** NA	
Finding Caption: The County's Community Development Department lacks proper internal controls for properly reporting American Recovery and Reinvestment Act funding on its Schedule of Expenditures of Federal Awards (SEFA).			
Background: The Department's process for accumulating financial information to be included on the SEFA is not adequate for ensuring accuracy or detecting errors. Department employees included total program expenditures to date instead of just 2012 expenditures. The County overstated program expenditures by $5,460,847. Additionally, three other federal programs administered by the Department were overstated on the SEFA by $1,614,956. These errors resulted in the auditors selecting the wrong federal program during audit planning. The County corrected the SEFA and the auditors ultimately selected appropriate federal programs to perform an audit that complied with federal requirements.			
Status of Corrective Action: (check one) ☒ Fully Corrected	☐ Partially Corrected	☐ No Corrective Action Taken	☐ Finding is considered no longer valid
Corrective Action Taken: Spokane County Community Services, Housing and Community Development (CSHCD) reconciles Spokane County's general ledger to HUD's IDIS and SF-425s. At year end, CSHCD prepares a grant accountability worksheet utilizing the County's general ledger. The grant accountability worksheet and general ledger are reviewed by a senior accountant and submitted to the Spokane County Office of Financial Assistance who prepares the SEFA. Additional procedures were instituted in which the Office of Financial Assistance reviews the grant accountability worksheet against the general ledger as a secondary review prior to preparing the SEFA.			

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Spokane County
January 1, 2013 through December 31, 2013

Board of Commissioners
Spokane County
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 Spokane County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2014. As discussed in Note 23 to the financial statements, during the year ended December 31, 2013, the County implemented Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County'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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 15, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Spokane County
January 1, 2013 through December 31, 2013

Board of Commissioners
Spokane County
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 County'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 County's compliance.

Basis for Qualified Opinion on HOME Investment Partnerships Program

As described in Finding 1 in the accompanying Schedule of Federal Audit Findings and Questioned Costs, the County did not comply with requirements regarding its HOME Investment Partnerships Program for suspension and debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the program.

Qualified Opinion on HOME Investment Partnerships Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its HOME Investment Partnerships Program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County 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 other major federal programs identified in the accompanying Federal Summary for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures also disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2. Our opinion on each major federal program is not modified with respect to these matters.

County’s Response to Findings

The County’s response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County’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 County 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 County’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 OMB Circular A-133, 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 County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

County's Response to Findings

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 15, 2014

Independent Auditor's Report on Financial Statements

Spokane County
January 1, 2013 through December 31, 2013

Board of Commissioners
Spokane County
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 Spokane County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 23.

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 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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, 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 Spokane County, as of December 31, 2013, 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 23 to the financial statements, in 2013, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34,* Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. 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 on pages 25 through 38, budgetary comparison information on pages 118 through 120 and information on postemployment benefits other than pensions on pages 121 through 124 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 County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of the County'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 County's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

September 15, 2014

Financial Section

Spokane County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Spokane County's discussion and analysis provides a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, financial statements and notes to the financial statements to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- The County's assets and deferred outflows exceeded its liabilities and deferred inflows by $788 million for the fiscal year reported. The result of assets and deferred outflows of resources minus liabilities and deferred inflows of resources is called net position.

- Total net position is comprised of the following:

  (1) Net Investment in Capital Assets of $470 million includes property and equipment, net of accumulated depreciation, and is reduced for outstanding obligations related to the purchase or construction of capital assets.
  (2) Restricted Net Position of $122.3 million represents the portion restricted by constraints imposed from outside the County such as debt covenants, grantors, laws and regulations.
  (3) Unrestricted Net Position of $195.7 million represents the portion available to maintain the County's continuing obligations to citizens and creditors.

- The County's Governmental Activities reported combined net position of $357.8 million. The County's Business-type Activities reported combined net position of $ 430.4 million.

- At December 31, 2013, unassigned fund balance for the General Fund was $16.4 million, which is 11.4 percent of total General Fund expenditures.

- The County's total capital assets (net of accumulated depreciation) at December 31, 2013 were $768.8 million.

- The County's total long-term liabilities at December 31, 2013 were $376.1 million. Of the total long-term liabilities, the County's total long-term debt at December 31, 2013 was $323 million, with a remaining capacity for non-voted debt of $354.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The required components of the County's annual financial report include the Managements Discussion and Analysis (MD&A), the basic financial statements, and other required supplementary information. This discussion and analysis provides an overview of the County's basic financial statements, which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information.

Government-Wide Financial Statements

There are two government-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The government-wide financial statements distinguish between functions of the County that are primarily supported by taxes and intergovernmental revenues (referred to as governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as Business-type Activities).

The governmental activities of the County include a full range of local government services provided to the public. These activities include law enforcement, the court system (superior, juvenile, and district courts), legal prosecution and indigent defense, road construction and maintenance, community planning and development, parks and open space preservation, and health and human services. In addition, other general government services are provided such as elections, property assessment, tax collection and the issuance of permits and licenses. Governmental activities also include the County's internal services, which largely serve the County. These internal services charge user fees and are self supporting. County internal services include equipment rental and revolving, information systems department, risk management, self insurance activities, and detention services.

The business-type activities of the County include sanitary sewer, storm water and aquifer protection, landfill closure management, solid waste, interstate fair, building and planning, regional animal protection service, and three golf courses.

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The Statement of Activities presents information on how the County's net position changed during the fiscal year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes and other sources for funding.

All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The County has four component units, which are blended in the government-wide financial statements. A description of the component units can be found in Note 1 of the Notes to Financial Statements. The County is a participant in three governmental joint ventures. A description of these joint ventures with condensed financial information can be found in Note 17 of the Notes to Financial Statements.

Fund Financial Statements

While the government-wide financial statements look at the County as a whole and focus on type of activities (governmental activities versus business-type activities), the fund financial statements provide a more detailed look at the County's individual major funds and combined fund types.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Spokane County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County's funds fall into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for most of the County's tax and grant supported activities. These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using the modified-accrual basis of accounting. This basis focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a governments near-term financing requirements.

Users of the financial statements may find it useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Because the basis of accounting for governmental fund financial statements is different than that of government-wide financial statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions.

Spokane County maintains 54 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, County Road Fund, and Community Services Mental Health Fund, all of which are considered to be major funds, based upon the criteria established by GASB Statement No. 34. Data from the remaining governmental funds are combined into a single, aggregate presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements.

The County maintains budgetary controls over its operating funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law and are adopted on a fund level. Personal services are budgeted by full-time positions. Capital outlays are approved both on an item-by-item basis and on a project basis. A budgetary comparison of revenues expenditures and changes in fund balances is provided for the General Fund and all special revenue funds to demonstrate compliance with the budget. Major fund budgetary comparison schedules are included in the required supplementary information section following the basic financial statements. Budgetary information for the General Fund is discussed in detail later in this report.

Proprietary Funds

There are two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sanitary sewer and stormwater, landfill closure, solid waste, golf courses, building and code enforcement, aquifer protection, regional animal protection service, solid waste, and interstate fair. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its equipment rental, information systems, risk management, self-insurance activities, public works administration and detention services. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the governments-wide statements, with the remaining balances included in the governmental activities column.

The proprietary fund financial statements provide separate information for the Sewer Enterprise fund, which is considered to be a major fund, based on the criteria established by GASB Statement No. 34. Data from the remaining enterprise funds are combined into a single, aggregated presentation on the proprietary fund financial statements. Internal services funds are aggregated and shown in a separate column to the right of the enterprise funds total column on the proprietary funds financial statements. Proprietary fund statements follow the governmental fund statements. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statement because the resources of those funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

Spokane County has two types of fiduciary funds: 1) investment trust funds, which report the portion of the County's investments which belong to other jurisdictions, 2) agency funds, which are clearing accounts for assets held by Spokane County in its role as custodian until the funds are allocated to the agencies to which they belong. The fiduciary fund financial statements can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the basic financial statements. The notes can be found immediately following the basic financial statements.

Required Supplementary Information

The required supplementary information section provides additional information required by GASB Statement No. 34. This section contains information on two areas: 1) budgetary comparison schedules for the General Fund and all major special revenue funds, and 2) schedules required for other post-employment benefits (OPEB) reporting under GASB Statement No. 45 and notes to those schedules. The required supplementary information can be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position for December 31, 2013 compared to the prior year.

Spokane County, Washington
Statement of Net Position
December 31, 2013
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	% Change
Assets :							
Current assets	$ 192,693	$ 207,568	$ 168,011	$ 152,961	$ 360,704	$ 360,529	0.05%
Restricted assets	16,881	17,848	46,275	54,313	63,156	72,161	-12.48%
Capital assets	257,493	234,258	511,356	516,065	768,850	750,323	2.47%
Noncurrent assets	-	793	-	2,187	-	2,979	-100.00%
Total assets	467,067	460,466	725,643	725,526	1,192,710	1,185,992	0.57%
Deferred outflows of resources	283	-	955	-	1,238	-	100.00%
Liabilities :							
Current liabilities	37,086	42,165	21,164	21,171	58,250	63,336	-8.03%
Long-term liabilities	71,983	77,207	275,045	281,473	347,028	358,679	-3.25%
Total liabilities	109,069	119,372	296,209	302,643	405,278	422,015	-3.97%
Deferred inflows of resources	491	-	-	-	491	-	100.00%
Net Position:							
Net Investment in Capital Assets	213,137	195,053	256,964	255,922	470,101	450,975	4.24%
Restricted	76,057	82,305	46,275	51,056	122,332	133,361	-8.27%
Unrestricted	68,595	63,736	127,150	115,904	195,745	179,640	8.96%
Total net position	$ 357,789	$ 341,094	$ 430,389	$ 422,883	$ 788,178	$ 763,977	3.17%

Overall Analysis

At December 31 2013, the County's combined governmental activities and business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $788 million. Total net position increased by $24.2 million or 3 percent.

The largest portion of Spokane County's net position (59.6 percent) reflects its investment in capital assets less any outstanding related debt used to acquire those assets. The County's capital assets are used to provide services to citizens: consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position in the amount of $122.3 million represents those assets that the County holds that are required to be spent for a specific purpose by outside sources and/or enabling legislation, debt covenants and long-term loan receivables that are not subject to appropriation.

The remaining balance of unrestricted net position $195.7 million may be used to support the County's ongoing obligations to citizens and creditors.

Governmental Activities
The governmental activities total net position at December 31, 2013 increased from the prior year by $16.7 million or 4.9 percent. This change was primarily due to the results of operating activities. However, several components of net position changed significantly. Long-term liabilities in governmental activities decreased by 6.8 percent or $5.2 million mostly related to debt maturities in 2013. Capital assets increased by $23.2 million. The decrease in long term liabilities and the increase in capital assets resulted in a 9.3 percent or $18.1 million increase in net investment in capital assets. Restricted net position decreased by $6.2 million or 7.6 percent. This change was mostly due to decreases in restricted equity residing in special revenue funds.

Unrestricted net position is the remaining amount of total net position that is not classified as either net investment in capital assets or restricted net position. Any change to unrestricted net position is the reflection of change in the other two net position categories. In 2013, unrestricted net position increased by $4.9 million or 7.6 percent.

Business-type Activities
The business-type activities total net position increased by $7.5 million in 2013. Net investment in capital assets remained relatively constant in 2013 increasing .4 percent or $1 million.

Restricted net position decreased $4.8 million which relates to the reduction in restricted cash reserves for debt service in Utilities-Sewer Operations.

Unrestricted net position is the remaining amount of total net position that is not classified as either net investment in capital assets or restricted net position. Any change to unrestricted net position is the reflection of change in the other two net position categories. In 2013, unrestricted net position increased by $11.2 million to $127.2 million.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities.

Statement of Activities
The Statement of Activities can be used to determine if County services are operating efficiently or if they are too reliant on general revenues. It can also be a good indicator of which functions the County spends most of its resources. The following table reflects the condensed Statement of Activities of the County for the fiscal year 2013 compared to the prior year and indicates the changes in assets for governmental and business-type activities.

Spokane County, Washington
Statement of Activities
December 31, 2013
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 131,190	$ 37,782	$ 44,359	$ 42,714	$ 175,550	$ 80,497
Operating grants and contributions	38,207	116,820	4,596	4,432	42,803	121,252
Capital grants and contributions	9,366	12,277	8,421	14,354	17,787	26,631
General revenues:						
Property Taxes	69,568	65,567	-	-	69,568	65,567
Other taxes	65,813	62,349	58	56	65,871	62,405
Penalties and interest	431	4,719	-	-	431	4,719
Investment earnings	1,601	2,319	3,680	5,484	5,281	7,804
Gain/loss on disposal of capital assets	1,927	111	1	11	1,929	123
Total Revenue	318,104	301,944	61,115	67,053	379,219	368,997
Program expenses:						
Governmental activities:						
General government	45,927	45,653	-	-	45,927	45,653
Judicial Services	13,599	21,160	-	-	13,599	21,160
Public safety	92,154	86,324	-	-	92,154	86,324
Physical environment	27	1,758	-	-	27	1,758
Transportation	35,377	34,029	-	-	35,377	34,029
Economic environment	4,996	3,836	-	-	4,996	3,836
Health and human services	99,055	75,960	-	-	99,055	75,960
Culture and recreation	4,568	6,265	-	-	4,568	6,265
Interest on long term debt	3,050	2,419	-	-	3,050	2,419
Business-type activities:						
Sewer Utility	-	-	41,112	39,336	41,112	39,336
Other Enterprise Funds	-	-	15,329	11,905	15,329	11,905
Total Expenses	298,753	277,404	56,441	51,242	355,194	328,646
Change in Net Position, Before Transfers	19,351	24,540	4,674	15,811	24,025	40,351
Transfers	(2,538)	(2,610)	2,538	2,610	-	-
Change in Net Position	16,813	21,930	7,212	18,421	24,025	40,351
Net Position, January 1	341,094	319,853	422,883	404,461	763,977	724,315
Prior Period Adjustments	(118)	(689)	294	-	176	(689)
Restated Net Position	340,977	319,164	423,177	404,461	764,153	723,626
Net Position, December 31	$ 357,789	$ 341,094	$ 430,389	$ 422,883	$ 788,178	$ 763,977

Overall Analysis

The County’s total net position of $788 million increased by $24.2 million as reported in the Statement of Activities. This increase is the net effect of an increase in business-type activities of $7.5 million and an increase of $16.7 million in governmental activities.

Governmental Activities

Governmental activities increased the County’s net position by $16.7 million or 4.9 percent. This was the result of a decrease in long term liabilities of $5.2 million combined with a net $20.7 million in capitalized expenditures at the entity wide level. These entity wide full accrual adjustments offset the $9.5 million decrease in net position reported on the fund level statements.

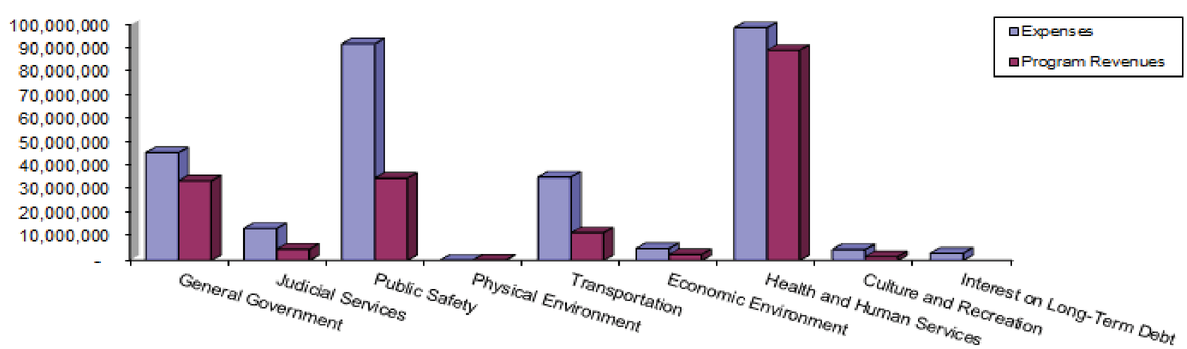
Revenues were $318 million, including a $1.9 million gain on disposal of capital assets. Total revenues increased $16.2 million or 5.4 percent over the prior year. Property tax, the County's largest single revenue source increased 6.1 percent. Sales tax revenue and other tax revenue increased 5.6 percent in 2013. This increase was offset by decreases in interest and penalties. Revenue provided by operating and capital grants and contributions decreased $81.5 million. This decrease was offset by a $93.4 million increase in charges for services. A majority of this swing was due to intergovernmental revenue which is now classified as charges for services. In prior years, these were classified as operating grants. Investment earnings decreased $718 thousand due to lower interest rates and cash balances. Therefore, $6.7 million of the $16.7 million increase in net position came from tax sources and interest, and another $11.9 million came from charges for services combined with grants and contributions.

Total governmental activity expenses in 2013 were $299 million, an increase of 7.7 percent over the prior year. Of the total expenses, $179 million was paid either by those directly benefiting from the programs or by other governments and organizations that subsidize certain programs with grants and contributions. The remaining net expense (total expenses less program revenues) of $120 million was the cost of governmental services paid primarily by the County's taxpayers.

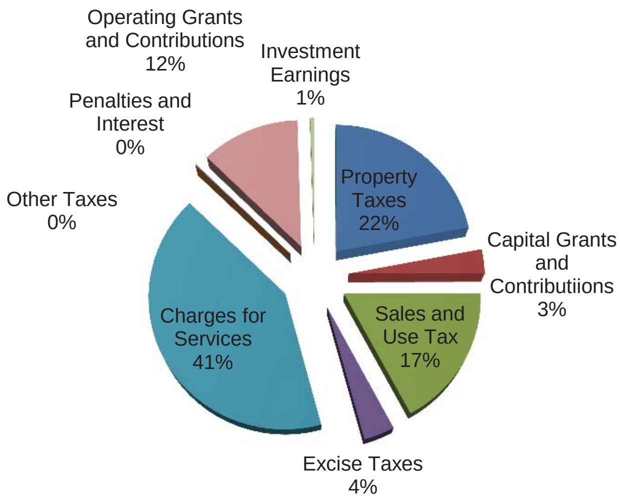
The functional expense category that showed the largest change in expenses was Health and Human Services with an increase of $23 million or 30 percent. This was largely due to continued contracting with the North Central Regional Support Network and reflects the increased funding and usage of services. Judicial Services decreased by 7.6 million primarily due to changes in the activities reported in Judicial Services. The largest of these changes was due to Public Defense being reported in General Government in 2013. Public Safety increased $5.8 million primarily due to a $3.3 million increase in detention costs. In addition, there was a $1.5 million increase in depreciation expense related to the capitalization of equipment for the new communication towers.

The first graph depicts the cost of each of the County's major governmental programs along with each program's generated revenue (fees and intergovernmental revenues specifically related to that program). The second graph reflects the source of revenue and the percentage of the total each source represents.

Expenses and Program Revenues – Governmental Activities



Revenue by Source – Governmental Activities



As shown, approximately 43 percent of these revenues are from taxes.

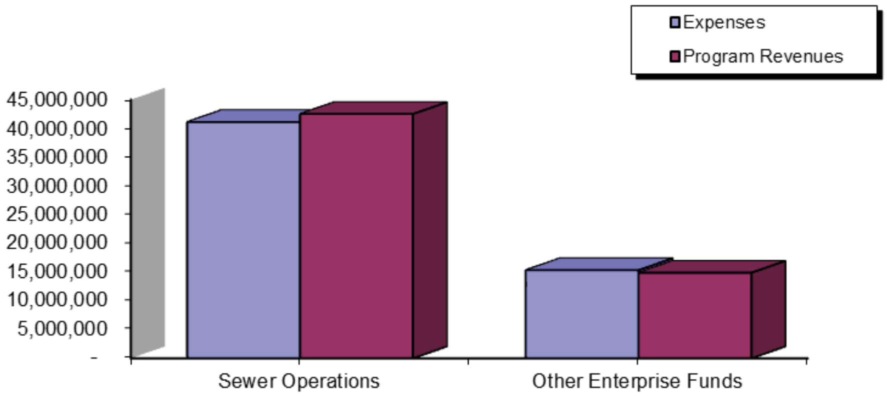
Business-Type Activities
Business-type activities increased the County's net position by $7.2 million, resulting mostly from operations.

Revenues were $61 million, excluding gain/loss on disposal of capital assets. Total revenues decreased $5.9 million or 8.9 percent in 2013. Revenue received for services provided increased by $1.6 million and was more than offset by a $5.9 million decrease in revenue received from capital grants and contributions.

Total expenses for business-type activities were $56.4 million, excluding transfers. This is an increase of 10 percent or $5.2 million.

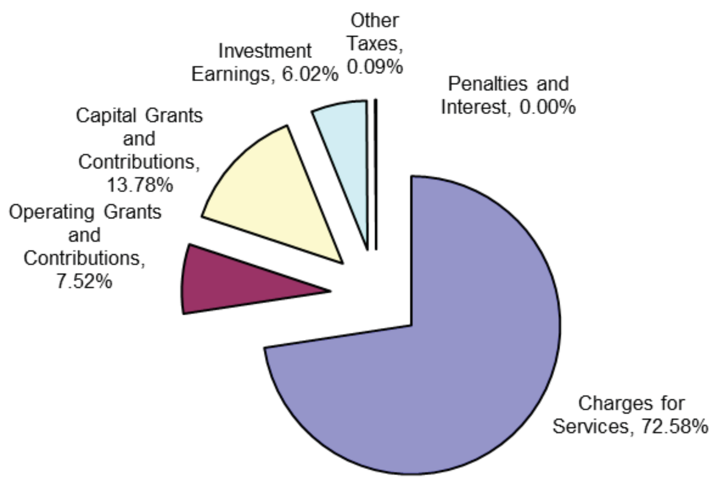
The first graph depicts the expenses of the County's business-type funds along with each fund's program revenues (fees and intergovernmental revenues specifically related to that fund). Sewer operations generated enough revenue (primarily user fees) to cover the operating costs of providing services. The aggregate of other enterprise funds also generate enough program revenues to cover operating expenses. The second graph reflects the source of revenue and the percentage of the total each source represents.

Expenses and Program Revenues- Business-type Activities



This graph reflects the revenue sources generated by the business-type activities.

Revenues by Source – Business-type Activities



FUND LEVEL FINANCIAL ANALYSIS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related budgetary and legal requirements. The following is a brief discussion of financial highlights of the County's governmental and proprietary funds.

Governmental Funds Analysis

The focus of Spokane County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, categories of fund balance may serve as a useful measurement of a fund's net resources available for spending at the end of the fiscal year.

On December 31, 2013, the County's governmental funds reported combined ending fund balances of $142 million, a decrease of $15 million. Fund balance consisted of restricted of $110.4 million, committed of $4.9 million, assigned of $10.8 million and unassigned of $16.4 million. Restricted fund balance is an amount that is restricted for a specific purpose by either an external source or enabling legislation. Committed fund balance is an amount that can only be used for a specific purpose imposed through formal action of the government's highest level of decision making authority. Assigned fund balance is an amount that is constrained by the government's intent to use it for a specified purpose as authorized by someone who has been delegated that authority by the government's decision making authority. Unassigned fund balance is all remaining fund balance that has not been classified into one of the other categories.

The following funds are the County's major governmental funds:

The General Fund is the County's primary operating fund. In 2013, fund balance of the General Fund decreased by $1.3 million. Total fund balance at December 31, 2013 was $42.8 million compared to $44.1 million at the end of the prior year. The General Fund has as a portion of its restricted fund balance a loan to the Health Sciences and Services Authority of $8.1 million and a loan to the Public Facilities District of $14.9 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

General Fund unassigned fund balance represented 11.4 percent of total general fund expenditures. Expenditures increased by $2.37 million in 2013. Of this, $1.8 million was due to increased costs for confinement at the jail since the County's percentage share of the population increased. A significant portion of the increase was due to the $2.8 million purchase of the Solar World property in 2013. The purchase was supported by grant funding from the State. Another large portion of the increase related to a $2.5 million debt payoff of an outstanding note on the Carstens' property. Revenues increased by 1 percent or $1.2 million in 2013. Taxes are the major revenue stream for the general fund, making up approximately 58 percent of the total revenues. Property tax revenues have historically grown by approximately 7 percent per year, but only grew about 2 percent in 2013 and have remained stagnant for the past 4 years. Sales tax revenues increased by 6 percent or $2 million and represents the majority of the increase in revenue in 2013, notwithstanding the decrease of $13.9 million in bond proceeds.

The County Road Fund is a special revenue fund that accounts for the maintenance and operations of the public roads and bridges of the County. At the end of the current fiscal year, total fund balance of the County Road Fund was $7.8 million. This is an increase in fund balance of $458 thousand from the prior year. Revenues increased in the Road fund by $5.8 million for 2013, and expenditures increased by $1.9 million.

The Community Services Mental Health fund is a special revenue fund that receives funding through state and federal grants and contracts as well as sales and property tax. At the end of 2013, fund balance was $22.5 million, a decrease of $2.8 million. Mental Health saw a significant increase in revenues in addition to an increase in expenditures causing the overall decrease in fund balance. This was mostly due to increased funding and usage of the North Central Washington Regional Support Network as a contracted service. Mental Health fund is contract and grant funded by approximately 88 percent.

Proprietary Funds Analysis

The County's proprietary funds provide information using the same basis of accounting found in the government-wide financial statements. Internal service funds, although proprietary, do not report major funds, therefore are not included in the following discussion.

At December 31, 2013, the net position for the proprietary funds (enterprise funds) increased by $7.1 million.

The following funds are the County's major enterprise funds:

The Sewer Enterprise fund provides sewer services to residents in the unincorporated county, the Town of Millwood, the City of Spokane Valley, and some residents in the City of Liberty Lake, but not for other incorporated areas within Spokane County. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, repair and replacement, construction and related debt service. The Sewer Operations Fund reported $1.2 million operating income for 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

Spokane County adopts an annual General Fund budget. Changes to the original budget are made to reflect changes in budgetary policy during the year. Overall modifications to the original General Fund budget in 2013 resulted in minor increases in budgeted revenues of 1.74 percent and in budgeted expenditures of 4.82 percent.

General Fund Budget to Actual

In 2013, actual General Fund revenue was $5.2 million under budget and actual expenditures were $7.3 million under budget. The combined effect resulted in a $2.1 million positive variance to the budgeted ending fund balance for the General Fund. There was a reclassification in reporting for recovery of cost allocation from revenue to a reduction of expense that was not done for the budget. This is the primary reason there is a large budget variance in both revenue and expenditures. With the exception of Physical Environment, all major departments' actual expenditures came in under budget. The largest variances between final budget and actual were in general government, judicial and public safety. All came in significantly under budget.

Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the notes to the financial statements. The County has chosen to present these budgetary statements as required supplementary information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Spokane County's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounted to $768.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, intangibles, park facilities, road and bridge systems, storm water and sewer lines, wastewater treatment capacity rights, and construction in progress. The total increase in the County's investment in capital assets for the current fiscal year was 2.5 percent (a 9.9 percent increase in governmental activities and less than one percent decrease in business-type activities).

Major governmental capital asset activity during the current fiscal year included the following:

- Major road projects for 2013 included Farwell Road Reconstruction Project, Argonne Road Reconstruction Project, Greenwood Road from Flint to Grove, and Bruce Road. These projects cost $4.9 million in 2013. Several small projects totaled $2.2 million.
- Various bridge projects in 2013, including the Little Spokane River Bridge, cost $1 million.

Major business-type capital asset activity during the current fiscal year included the following:

- Sewer construction in progress at December 31, 2013 totaled $1.2 million. Major projects included the completion of the Little Spokane River Bridge, Fairwood Sewer, Pasadena Park Lift Station, Peone Pines Sewer, MPS-Trailer, and the US Highway 2 Trunk Extension projects.
- The Saltese Flat Aquifer Recharge construction in progress totaled $1.1 million in 2013.

Spokane County Capital Assets
(net of accumulated depreciation)
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Activities	
	2013	2012	2013	2012	2013	2012
Land	$ 55,168	$ 50,317	$ 9,448	$ 9,076	$ 64,616	$ 59,393
Depleted Land	2,016	2,017	-	-	2,016	2,017
Building and structures	63,561	63,352	181,073	183,566	244,633	246,917
Other improvements	76,804	77,694	311,174	317,475	387,977	395,169
Machinery and equipment	16,335	9,872	1,588	1,208	17,923	11,080
Intangible Assets	2,608	1,359	2,840	2,609	5,448	3,968
Construction in progress	41,002	29,647	5,233	2,132	46,236	31,779
	$ 257,493	$ 234,258	$ 511,356	$ 516,065	$ 768,850	$ 750,323

Additional information regarding the County's capital assets can be found in Note 5 to the financial statements.

Debt Administration

As shown in the table below, the County's total long-term liabilities outstanding at December 31, 2013 were $376.1 million. Total general obligation bonds are shown net of discount/premium. Total revenue bonds are shown net of premium. Other Post Employee Benefits (OPEB) Liability increased by $771 thousand based on an actuarial report prepared in accordance with GASB Statement 45. Landfill Closure Liability balance was $25 million at year end, a decrease of $591 thousand. The incurred but not reported (IBNR) liability decreased $2.4 million.

Spokane County Outstanding Long-term Liabilities
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total Activities	
	2013	2012	2013	2012	2013	2012
General obligation bonds	$ 60,238	$ 65,858	122,457	$ 122,085	$ 182,695	$ 187,943
Revenue Bonds	-	-	120,755	126,916	120,755	126,916
Public Works Trust Fund Loans	3,028	3,280	12,052	13,319	15,080	16,599
Notes Payable	3,917	5,080	-	-	3,917	5,080
Capital Leases	447	430	7	9	454	440
OPEB Liability	4,982	4,211	-	-	4,982	4,211
IBNR Liability	11,147	13,499	-	-	11,147	13,499
LT Accrued Interest	832	796	-	-	832	796
Landfill Closure Liability	-	-	25,036	25,627	25,036	25,627
Compensated Absences	10,408	9,658	816	677	11,223	10,335
	$ 94,998	$ 102,812	$ 281,123	$ 288,634	$ 376,122	$ 391,446

Spokane County maintains an "AA" rating from Standard & Poor's and an Aa2 rating from Moody's Investor Service. More detailed information about the County's long-term debt can be found in Note 10 to the financial statements.

ECONOMIC FACTORS

The average annual growth rate of Spokane County was .9 percent, based on population. This growth rate is up slightly from the 2012 rate of .6 percent but continues to be relatively consistent since 2006. According to the US Bureau of Labor Statistics, unemployment in Spokane County decreased from 8.64 percent in 2012 to 7.86 percent in 2013, which is slightly higher than the state rate of 7.0 percent and slightly higher than the national average of 7.4 percent. Taxable retail sales increased 6.2 percent to $7.6 billion in 2013, according to the Washington State Department of Revenue. According to the Journal of Business, bankruptcy filings decreased by 6 percent in 2013 to 1,795. Foreclosures jumped 77 percent to 1,211 after declining 38 percent from 2011 to 2012.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide a general overview of Spokane County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Accounting Manager, Spokane County Auditors' Office, 1116 West Broadway Avenue, Spokane, Washington, 99260-0020.

Spokane County, Washington
Statement of Net Position
December 31, 2013
Page 1 of 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	119,617,350	163,009,667	282,627,017
Deposits with Fiscal Agents	47,158	-	47,158
Temporary Investments	-	-	-
Receivables (net)	5,529,804	5,291,809	10,821,612
Internal Balances	1,080,440	(1,080,440)	-
Due From Other Governments	28,790,648	366,884	29,157,533
Inventories	6,407,009	404,707	6,811,716
Prepayments	1,825,121	18,551	1,843,672
Other Current Assets	-	-	-
Restricted Assets	16,881,224	46,275,076	63,156,300
Special Assessments Receivable	-	-	-
Notes/Contracts Receivable	29,395,130	-	29,395,130
Capital Assets			
Non-Depreciated Assets			
Land	55,060,862	9,448,415	64,509,277
Easements	106,739	-	106,739
Construction in Progress	41,002,390	5,233,367	46,235,757
Depreciated Assets (Net of Accumulated Depreciation)			
Depleted Land	2,016,226	-	2,016,226
Building and Structures	63,560,501	181,072,629	244,633,129
Other Improvements	76,803,541	311,173,939	387,977,480
Machinery and Equipment	16,335,011	1,588,323	17,923,334
Intangible Assets (Net of Accumulated Amortization)			
Software	1,515,687	195,310	1,710,997
Capacity Rights	-	2,644,505	2,644,505
Other Intangibles	1,092,186	-	1,092,186
Other Noncurrent Assets	-	-	-
TOTAL ASSETS	467,067,025	725,642,741	1,192,709,767
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	283,079	955,345	1,238,424
TOTAL DEFERRED OUTFLOWS OF RESOURCES	283,079	955,345	1,238,424
LIABILITIES			
Accounts and Vouchers Payable	13,280,911	778,734	14,059,645
Matured Long-Term Obligations	47,158	-	47,158
Matured Interest Payable	-	-	-
Due To Other Governments	4,413,413	7,664,671	12,078,084
Accrued Liabilities	1,499,845	1,199,578	2,699,423
Revenues Collected in Advance	117,797	16,991	134,789
Compensated Absences	10,407,908	815,587	11,223,495
Custodial Accounts	368,089	13,983	382,071
Other Liabilities	102,818	4,405,083	4,507,901
Liabilities Payable From Restricted Assets	-	51,686	51,686
Noncurrent Liabilities:			
Due Within One Year	6,848,211	6,217,586	13,065,797
Special Assessment Debt With Governmental Commitment Due in More Than One Year	-	-	-
Due in More Than One Year	54,916,824	239,046,815	293,963,639
Other Noncurrent Liabilities	17,066,402	35,998,303	53,064,705
TOTAL LIABILITIES	109,069,376	296,209,017	405,278,393
DEFERRED INFLOWS OF RESOURCES			
Property Taxes and Assessments	-	-	-
Grants Received In Advance	491,368	-	491,368
Other Deferred Inflows	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	491,368	-	491,368
NET POSITION			
Net Investment In Capital Assets	213,137,392	256,963,959	470,101,351
Restricted:			
LT Notes Receivable	14,459,825	44,477,806	58,937,631
Other	-	1,797,270	1,797,270
Special Revenue	61,597,503	-	61,597,503
Unrestricted	68,594,640	127,150,035	195,744,675
TOTAL NET POSITION	357,789,361	430,389,069	788,178,430

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Activities
For the Year Ended December 31, 2013
Page 1 of 1

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government							
Governmental Activities:							
General Government	45,927,064	22,577,464	11,162,675	96,160	(12,090,765)		(12,090,765)
Judicial Services	13,599,272	3,156,940	1,539,823	-	(8,902,509)		(8,902,509)
Public Safety	92,153,581	31,629,417	3,293,405	-	(57,230,759)		(57,230,759)
Physical Environment	26,920	63,520	-	-	36,600		36,600
Transportation	35,376,989	2,049,202	1,164,548	8,473,345	(23,689,895)		(23,689,895)
Economic Environment	4,995,668	2,503,965	-	-	(2,491,703)		(2,491,703)
Health and Human Services	99,054,699	68,020,206	21,046,689	393,378	(9,594,425)		(9,594,425)
Culture and Recreation	4,568,488	1,189,601	-	403,251	(2,975,636)		(2,975,636)
Interest on Long-Term Debt	3,050,017	-	-	-	(3,050,017)		(3,050,017)
Total Governmental Activities	298,752,697	131,190,315	38,207,139	9,366,134	(119,989,110)	-	(119,989,110)
Business-Type Activities:							
Sewer Operations	41,112,212	31,308,345	3,935,000	7,257,740		1,388,872	1,388,872
Other Enterprise Funds	15,328,835	13,050,920	660,750	1,162,916		(454,248)	(454,248)
Total Business-Type Activities	56,441,047	44,359,265	4,595,750	8,420,656	-	934,624	934,624
Total Primary Government	355,193,745	175,549,580	42,802,890	17,786,790	(119,989,110)	934,624	(119,054,485)
General Revenues:							
Taxes							
Property Taxes					$ 69,567,628	$ -	$ 69,567,628
Sales and Use Tax					$ 54,540,456	$ -	$ 54,540,456
Excise Taxes					$ 11,268,298	$ -	$ 11,268,298
Other Taxes					$ 4,288	$ 57,959	$ 62,247
Penalties and Interest					$ 431,312	$ -	$ 431,312
Investment Earnings					$ 1,600,943	$ 3,680,047	$ 5,280,990
Gain/Loss On Disposal of Capital Assets					$ 1,927,372	$ 1,458	$ 1,928,830
Transfers					$ (2,538,374)	$ 2,538,374	$ -
Total General Revenues, Special Items, and Transfers					$ 136,801,922	$ 6,277,839	$ 143,079,761
Change In Net Position					$ 16,812,813	$ 7,212,463	$ 24,025,275
Net Position, January 1					$ 341,094,234	$ 422,882,525	$ 763,976,760
Prior Period Adjustments					$ (117,686)	$ 294,081	$ 176,395
Restated Net Position					$ 340,976,548	$ 423,176,606	$ 764,153,154
Net Position, December 31					$ 357,789,361	$ 430,389,069	$ 788,178,430

See accompanying notes to the financial statements

Spokane County, Washington
Balance Sheet
Governmental Funds
December 31, 2013
Page 1 of 1

	010 GENERAL FUND	110 COUNTY ROADS	148 COMMUNITY SERVICES MENTAL HEALTH	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and Cash Equivalents	6,629,340	5,192,591	7,556,563	62,012,486	81,390,981
Deposits with Fiscal Agents	-	-	-	47,158	47,158
Temporary Investments	-	-	-	-	-
Receivables (net)	2,857,510	836,010	36,348	410,044	4,139,912
Due From Other Funds	10,684,293	146,921	6,777	581,209	11,419,200
Due From Other Governments	14,626,320	4,880,959	1,848,170	6,337,379	27,692,827
Inventories	164,873	-	-	-	164,873
Prepayments	112,364	6,139	520	38,663	157,686
Other Current Assets	-	-	-	-	-
Restricted Assets	-	-	16,381,224	500,000	16,881,224
Special Assessments Receivable	-	-	-	-	-
Notes/Contracts Receivable	14,935,305	-	-	14,459,825	29,395,130
Other Noncurrent Assets	-	-	-	-	-
Total Assets	50,010,006	11,062,620	25,829,602	84,386,764	171,288,992
Deferred Outflows of Resources					
Deferred Loss on Refunding	-	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	50,010,006	11,062,620	25,829,602	84,386,764	171,288,992
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts and Vouchers Payable	1,786,365	893,102	1,979,660	2,222,665	6,881,793
Matured Long-Term Obligations	-	-	-	47,158	47,158
Matured Interest Payable	-	-	-	-	-
Due To Other Funds	2,847,418	876,984	582,320	9,488,027	13,794,749
Due To Other Governments	580,740	5,732	725,506	1,683,201	2,995,179
Accrued Liabilities	78,043	402,426	-	3,422	483,891
Revenues Collected in Advance	53,453	32,599	-	-	86,052
Current Portion of Long-Term Obligations	-	-	-	-	-
Custodial Accounts	9,200	332,550	-	-	341,750
Other Current Liabilities	500	101,118	-	1,200	102,818
Payable From Restricted Assets	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	-	-	-	-	-
Special Assessment Bonds	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-
Total Liabilities	5,355,719	2,644,512	3,287,486	13,445,673	24,733,390
Deferred Inflows of Resources					
Property Taxes and Assessments	1,698,631	634,918	16,839	289,191	2,639,580
Grants Received In Advance	-	-	-	491,368	491,368
Other Deferred Inflows	178,182	-	-	846,076	1,024,257
Total Deferred Inflows of Resources	1,876,813	634,918	16,839	1,626,635	4,155,205
Fund Balance					
Nonspendable	-	-	-	-	-
Restricted	25,923,379	-	22,519,233	61,933,343	110,375,955
Committed	438,421	-	-	4,412,170	4,850,591
Assigned	-	7,783,191	6,044	2,968,943	10,758,178
Unassigned	16,415,673	-	-	-	16,415,673
Total Fund Balance	42,777,474	7,783,191	22,525,276	69,314,456	142,400,397
Total Liabilities, Deferred Inflows of Resources and Fund Balance	50,010,006	11,062,620	25,829,602	84,386,764	171,288,992

See accompanying notes to the financial statements

Spokane County, Washington
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For The Year Ended December 31, 2013

Total fund balances as shown on the Governmental Funds Balance Sheet	$ 142,400,397
Capital assets used in government activities are not current financial resources and therefore are not reported in the funds. This amount reflects the initial investment in capital assets, including construction-in-progress, less accumulated depreciation at December 31, 2013.	231,748,448
Revenues not available to pay current period expenditures are deferred inflows of resources in governmental funds.	4,674,545
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal services funds are included in the governmental activities in the Statement of Net Position.	60,444,034
Long-term liabilities that are not due and payable in the current period and are not reported in the funds.	(81,478,063)
Net position of governmental activities on the Statement of Net Position	$ 357,789,361

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2013
Page 1 of 1

	010 GENERAL FUND	110 COUNTY ROADS	148 COMMUNITY SERVICES MENTAL HEALTH	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	81,439,390	18,891,626	8,664,659	23,286,166	132,281,841
Licenses and Permits	1,148,731	167,739	-	-	1,316,471
Intergovernmental	14,522,058	17,104,984	780,274	10,932,803	43,340,119
Charges for Services	33,416,835	1,979,285	67,799,980	13,674,909	116,871,008
Fines and Forfeits	6,834,868	-	-	163,383	6,998,252
Interest	1,184,556	14,709	74,953	255,986	1,530,203
Special Assessments	-	-	-	-	-
Contributions and Donations	49,503	318,301	330	377,746	745,880
Other Miscellaneous Revenues	1,234,130	24,428	3,932	721,345	1,983,834
Total Revenues	139,830,071	38,501,072	77,324,127	49,412,338	305,067,608
EXPENDITURES					
Current:					
General Government	41,546,274	474,341	-	2,820,634	44,841,248
Judicial	13,387,455	-	-	368,406	13,755,862
Public Safety	71,843,159	69,824	-	8,021,242	79,934,225
Physical Environment	46,038	-	-	-	46,038
Transportation	15,268	28,008,886	-	265,024	28,289,178
Economic Environment	437,235	33,774	-	4,507,145	4,978,153
Health and Human Services	4,244,778	-	78,507,192	16,222,435	98,974,406
Culture and Recreation	2,418,722	-	-	1,426,668	3,845,389
Debt Service:					
Principal Outlay	4,118,874	583,553	-	3,545,206	8,247,634
Interest Expenditure	1,332,052	190,056	-	1,513,586	3,035,694
Capital Outlay	4,206,945	9,338,765	58,255	22,606,721	36,210,686
Total Expenditures	143,596,802	38,699,199	78,565,447	61,297,066	322,158,514
Excess (Deficiency) of Revenues Over Expenditures	(3,766,730)	(198,127)	(1,241,320)	(11,884,729)	(17,090,906)
OTHER FINANCING SOURCES AND USES					
Transfer - In	2,538,522	253,053	-	5,904,345	8,695,921
Transfer - Out	(2,523,663)	(31,268)	(1,697,679)	(7,260,693)	(11,513,302)
General Long-Term Debt Issuance	339,937	431,312	-	1,811,051	2,582,300
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Issuance Costs	-	-	-	1	1
Refunding Bonds Issued	-	-	-	-	-
Payment on Bond Refunding	-	-	-	-	-
Capital Leases	65,291	-	-	23,309	88,600
Disposition of Capital Assets	1,820,056	2,808	97,659	10,586	1,931,109
Total Other Financing Sources and (Uses)	2,240,144	655,905	(1,600,020)	488,599	1,784,629
Net Change in Fund Balance	(1,526,586)	457,778	(2,841,340)	(11,396,130)	(15,306,278)
Fund Balances, January 1	44,123,722	7,325,412	25,366,616	80,215,924	157,031,676
Prior Period Adjustments	180,337	-	-	494,661	674,999
Restated Fund Balance	44,304,060	7,325,412	25,366,616	80,710,586	157,706,674
Fund Balances, December 31	42,777,474	7,783,191	22,525,276	69,314,456	142,400,397

See accompanying notes to the financial statements

Spokane County, Washington
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances as shown on Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balance.	$ (15,306,278)
Governmental funds report capital outlays as expenditures and proceeds for the sale of capital assets as revenues. In the Statement of Activities, the cost of those assets is capitalized and depreciated over the period of the assets useful life. When capital assets are disposed of, the difference between original cost, accumulated depreciation and the proceeds is booked as a gain or (loss) on the sale. This entry takes into account the differences in how capital costs are treated between the Statement of Activities and the Governmental Fund statements.	20,768,174
Internal services fund expenses are allocated to other funds. The net expense of the internal service fund activities is reported with governmental activities on the Statement of Activities.	5,361,696
The issuance of long-term debt (e.g. bonds) provides current financial resources to government funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Governmental funds report the effect of premiums, discounts, and similar items when debt is issued. These costs are deferred and amortized on the Statement of Activities. Changes in other long-term liabilities, such as compensated absences and net OPEB obligations, do not consume or provide current financial resources and are not recorded in governmental funds. This entry is the net effect of these differences in the treatment of long-term debt issuance, debt payments and other long-term liabilities.	5,111,558
Governmental funds report revenue in the current period for revenues deferred in prior periods since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned. This amount accounts for the change in the deferred inflow of resources.	877,663
Change in net position of governmental activities on the Statement of Activities	$ 16,812,813

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Net Position
Proprietary Funds
December 31, 2013
Page 1 of 1

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL
	400 SEWER ENTERPRISE	OTHER NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	ACTIVITIES INTERNAL SERVICE FUNDS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	130,862,043	32,147,624	163,009,667	38,226,369
Deposits with Fiscal Agents	-	-	-	-
Temporary Investments	-	-	-	-
Receivables (net)	5,047,737	244,072	5,291,809	379,183
Due From Other Funds	300,000	95,221	395,221	3,197,141
Due From Other Governments	245,090	121,794	366,884	1,112,666
Inventories	404,707	-	404,707	6,242,136
Prepayments	16,560	1,991	18,551	1,667,434
Other Current Assets	-	-	-	-
Total Current Assets	136,876,137	32,610,703	169,486,840	50,824,930
Noncurrent Assets:				
Restricted Assets	44,477,806	1,797,270	46,275,076	-
Special Assessments Receivable	-	-	-	-
Notes/Contracts Receivable	-	-	-	-
Capital Assets				
Non-Depreciated Assets			-	
Land	7,054,617	2,393,798	9,448,415	2,134,409
Easements	-	-	-	-
Construction in Progress	2,297,901	2,935,467	5,233,367	1,088,056
Depreciated Assets (Net of Accumulated Depreciation)				
Depleted Land	-	-	-	2,016,226
Building and Structures	160,155,344	20,917,285	181,072,629	14,374,368
Other Improvements	298,424,214	12,749,725	311,173,939	573,668
Machinery and Equipment	512,456	1,075,867	1,588,323	4,423,992
Intangible Assets (Net of Accumulated Amortization)				
Software	15,144	180,166	195,310	1,133,976
Capacity Rights	2,644,505	-	2,644,505	-
Other Intangibles	-	-	-	-
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	515,581,986	42,049,577	557,631,563	25,744,694
TOTAL ASSETS	652,458,123	74,660,280	727,118,403	76,569,624
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	517,507	437,837	955,345	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	517,507	437,837	955,345	-
LIABILITIES				
Current Liabilities:				
Accounts and Vouchers Payable	578,299	200,435	778,734	6,399,118
Matured Long-Term Obligations	-	-	-	-
Matured Interest Payable	-	-	-	-
Contracts Payable	63,083	-	63,083	-
Due To Other Funds	183,505	704,241	887,745	342,381
Due To Other Governments	7,655,235	9,436	7,664,671	1,419,767
Accrued Liabilities	1,098,652	100,926	1,199,578	215,030
Revenues Collected in Advance	-	16,991	16,991	31,745
Current Portion of Long-Term Obligations	5,757,586	460,000	6,217,586	418,469
Custodial Accounts	(17)	14,000	13,983	26,339
Other Current Liabilities	2,000	4,340,000	4,342,000	-
Total Current Liabilities	15,338,342	5,846,029	21,184,371	8,852,847
Noncurrent Liabilities:				
Payable From Restricted Assets	-	51,686	51,686	-
General Obligation Bonds	90,579,125	21,734,530	112,313,656	-
Revenue Bonds	126,733,159	-	126,733,159	-
Special Assessment Bonds	-	-	-	-
Advances From Other Funds	-	-	-	-
Compensated Absences	264,715	550,873	815,587	1,505,744
Other Noncurrent Liabilities	10,962,115	25,036,188	35,998,303	6,354,914
Total Noncurrent Liabilities	228,539,114	47,373,278	275,912,392	7,860,658
TOTAL LIABILITIES	243,877,456	53,219,307	297,096,762	16,713,506
DEFERRED INFLOWS OF RESOURCES				
Property Taxes and Assessments	-	-	-	-
Grants Received In Advance	-	-	-	-
Other Deferred Inflows	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
NET POSITION				
Net Investment in Capital Assets	241,035,361	15,928,598	256,963,959	24,898,391
Restricted:				
Debt Service	44,477,806	-	44,477,806	-
Capital Improvements	-	1,797,270	1,797,270	-
Unrestricted	123,585,009	4,152,942	127,737,951	34,957,727
TOTAL NET POSITION	409,098,175	21,878,811	430,976,985	59,856,118

See accompanying notes to the financial statements

Spokane County, Washington
Reconciliation of the Statement of Net Position
Proprietary Funds to the Statement of Net Position
For The Year Ended December 31, 2013

Total net position as shown on the Proprietary Statement of Net Position	$ 430,976,985
Some amounts reported for business-type activities in the Statement of Net Position are different because a portion of certain internal service funds gains and losses are included with business-type activities.	(587,916)
Net position of business-type activities on the Statement of Net Position	$ 430,389,069

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013
Page 1 of 1

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	400 SEWER ENTERPRISE	OTHER NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
Operating Revenues:				
Charges for Services	30,945,582	10,888,670	41,834,252	53,188,235
Participant Contributions	-	-	-	13,352,595
Rents, Leases, and Concessions	-	2,158,714	2,158,714	6,239,074
Other Revenues	-	-	-	-
Total Operating Revenues	30,945,582	13,047,384	43,992,965	72,779,904
Operating Expenses:				
Personal Services	3,651,583	7,350,436	11,002,019	33,390,171
Contractual Services	2,419,547	2,000,099	4,419,647	17,438,113
Repairs and Maintenance	2,259,672	84,302	2,343,975	86,075
Other Supplies and Expenses	9,689,038	3,998,492	13,687,530	13,500,385
Insurance Claims and Expenses	135,619	249,999	385,618	3,108,674
Depreciation	11,559,978	1,709,026	13,269,004	2,069,178
Total Operating Expenses	29,715,437	15,392,354	45,107,791	69,592,595
Operating Income (Loss)	1,230,145	(2,344,971)	(1,114,826)	3,187,309
Non-Operating Revenues (Expenses):				
Interest and Investment Revenue	3,616,272	63,775	3,680,047	70,739
Intergovermental Revenue	6,429,892	757,729	7,187,621	4,496
Interest Expense	(11,396,775)	(882,504)	(12,279,279)	(14,616)
Gain (Loss) on Disposal of Capital Assets	3,100	(1,642)	1,458	260,702
Adjustment for Landfill Closure Liability	-	534,529	534,529	-
Other Non-Operating Revenues	362,763	3,536	366,300	549,665
Other Non-Operating Expenses	-	-	-	-
Total Non-Operating Revenues (Expenses)	(984,748)	475,424	(509,324)	870,986
Income (Loss) Before Contributions and Transfers	245,397	(1,869,547)	(1,624,150)	4,058,294
Capital Contributions	4,762,848	1,321,326	6,084,173	1,239,728
Transfers In	500,300	2,811,189	3,311,489	513,532
Transfers Out	(26,051)	(944,493)	(970,543)	(38,365)
Change in Net Position	5,482,494	1,318,475	6,800,969	5,773,190
Net Position, January 1	405,544,690	18,337,245	423,881,935	54,082,928
Prior Period Adjustments	(1,929,009)	2,223,090	294,081	-
Restated Net Position	403,615,681	20,560,335	424,176,016	54,082,928
Net Position, December 31	409,098,175	21,878,811	430,976,985	59,856,118

See accompanying notes to the financial statements

Spokane County, Washington
Reconciliation of the Statement of Revenues, Expenses, and
Changes in Fund Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances as shown on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position.	$6,800,969
Some amounts reported for business-type activities in the Statement of Activities are different because a portion of certain internal service funds gains and losses are included with business-type activities.	411,494
Change in net position of business-type activities on the Statement of Activities	$7,212,463

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013
Page 1 of 1

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL
	400 SEWER ENTERPRISE	OTHER NON MAJOR FUNDS	TOTAL ENTERPRISE FUNDS	ACTIVITIES INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	35,332,011	13,041,142	48,373,152	72,576,792
Receipts from Interfund Services Provided	-	193,477	193,477	546,487
Cash Payments for Goods and Services	(15,641,660)	(6,346,726)	(21,988,386)	(37,190,474)
Internal Activity Payments to Other Funds	(355,548)	124,066	(231,482)	65,193
Cash Payments to Employees	(3,635,595)	(7,227,799)	(10,863,394)	(33,254,024)
Other Operating Receipts	-	-	-	-
Other Operating Payments	-	-	-	-
Net Cash Provided (Used) by Operating Activities	15,699,208	(215,841)	15,483,367	2,743,974
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Net Borrowings (Repayments) of Interfund Loans	(300,000)	-	(300,000)	-
Miscellaneous Receipts	6,792,698	769,766	7,562,464	556,970
Miscellaneous Payments	-	-	-	-
Interest Paid	-	-	-	-
Private Source Contributions	-	-	-	-
Receipts from Operating Grants	-	-	-	-
Transfers from Other Funds	500,300	2,811,189	3,311,489	513,532
Transfers to Other Funds	(26,051)	(944,493)	(970,543)	(38,365)
Net Cash Provided (Used) by Noncapital Financing Activities	6,966,948	2,636,462	9,603,409	1,032,137
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Issuing Bonds	-	-	-	-
Proceeds from Intergovernmental Loans	2,176,507	4,599,070	6,775,577	(406,865)
Payment for Capital Acquisitions	(4,594,127)	(3,630,729)	(8,224,856)	(4,536,629)
Principal Repayments	(6,450,232)	(617,908)	(7,068,140)	(106,613)
Interest Paid	-	-	-	-
Proceeds from Sale of Capital Assets	3,100	(1,642)	1,458	260,702
Contributed Capital	4,762,848	1,317,092	6,079,940	1,239,728
Receipts from Capital Grants	-	-	-	-
Payment of Debt Issue Costs	-	-	-	-
Receipts from Penalties and Interest	-	-	-	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(4,101,904)	1,665,883	- (2,436,021)	(3,549,678)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investments	-	-	-	-
Proceeds from Sale of Investments	-	-	-	-
Receipts of Interest and Dividends	3,622,248	63,988	3,686,236	75,003
Interest Expense	(11,396,775)	(882,504)	(12,279,279)	(14,616)
Net Cash Provided (Used) in Investing Activities	(7,774,528)	(818,516)	(8,593,043)	60,387
Net Increase (Decrease) in Cash and Cash Equivalents	10,789,723	3,267,989	14,057,713	286,820
Cash and Cash Equivalents, January 1	132,824,758	30,676,906	163,501,664	37,939,549
Cash and Cash Equivalents, December 31	143,614,482	33,944,895	177,559,376	38,226,369
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	1,230,145	(2,344,971)	(1,114,826)	3,187,309
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	11,559,978	1,709,026	13,269,004	2,069,178
Prior Period Adjustment	-	-	-	-
Expense Adjustment for Change in Capitalization Threshold	-	-	-	-
Decrease (Increase) in Accounts Receivable	4,730,925	13,514	4,744,439	46,981
Decrease (Increase) in Inventories	(2,076)	13,729	11,653	(651,504)
Decrease (Increase) in Due from Other Funds	-	193,477	193,477	546,487
Decrease (Increase) in Due from Other Governments	2,999,823	(17,827)	2,981,996	178,438
Decrease (Increase) in Current Assets	(194,249)	(14,507)	(208,756)	(293,023)
Decrease (Increase) in Amortized Charges	-	-	-	158,883
Increase (Decrease) in Accounts Payable	(225,698)	(40,946)	(266,645)	(386,673)
Increase (Decrease) in Claims and Judgments	-	-	-	(1,155,308)
Increase (Decrease) in Due to Other Funds	(355,548)	124,066	(231,482)	65,193
Increase (Decrease) in Due to Other Governments	(35,594)	3,236	(32,358)	92,868
Increase (Decrease) in Other Current Liabilities	(4,024,485)	15,582	(4,008,903)	(55,957)
Increase (Decrease) in Compensated Absences	15,988	122,637	138,625	136,121
Increase (Decrease) in Unearned Revenue	-	7,143	7,143	1,524
Increase (Decrease) in Other Noncurrent Liabilities	-	-	-	(1,196,542)
Total Adjustments	14,469,063	2,129,130	16,598,193	(443,335)
Net Cash Provided (Used) by Operating Activities	15,699,208	(215,841)	15,483,367	2,743,974

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Fiduciary
Net Position
December 31, 2013

	INVESTMENT FUNDS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	-	6,823,815
Deposits with Fiscal Agents	-	3,913,400
Temporary Investments at Cost	-	-
Temporary Investments at Fair Value	527,377,552	-
Receivables (net)	3,219,464	18,986,581
Due From Other Funds	-	14,845
Due From Other Governments	3,148	-
Special Assessments Receivable	-	3,398,095
Other Noncurrent Assets	-	-
Total Assets	530,600,164	33,136,736
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-
LIABILITIES		
Accounts and Vouchers Payable	-	-
Matured Long-Term Obligations	-	-
Matured Interest Payable	-	-
Due To Other Funds	-	-
Due To Other Governments	-	-
Accrued Liabilities	336,799	-
Custodial Accounts	-	31,356,602
General Obligation Bonds	-	-
Revenue Bonds	-	-
Special Assessment Bonds	-	-
Other Noncurrent Liabilities	-	-
TOTAL LIABILITIES	336,799	31,356,602
DEFERRED INFLOWS OF RESOURCES		
Property Taxes and Assessments	-	1,780,134
Grants Received In Advance	-	-
Other Deferred Inflows	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	1,780,134
NET POSITION		
Investments Held in Trust for Pool Participants	530,263,365	-
Investments Held in Trust for Other Purposes	-	-
TOTAL NET POSITION	530,263,365	-

See accompanying notes to the financial statements

Spokane County, Washington
Statement of Changes
in Fiduciary Net Position
For the Year Ended December 31, 2013
Page 1 of 1

	INVESTMENT FUNDS
ADDITIONS	
Contributions:	
Pool Participants	869,708,867
Total Contributions	869,708,867
Investment Earnings:	
Net Increase (Decrease) in Fair Value of Investments	(3,097,624)
Interest and Dividends	4,235,509
Other Additions	-
Total Invesment Earnings	1,137,884
Total Additions	870,846,751
DEDUCTIONS	
Distributions to Pool Participants	4,235,509
Deductions by Pool Participants	835,863,474
Other Deductions	-
Total Deductions	840,098,983
Change in Net Position	30,747,768
Net Position, January 1	499,515,597
Prior Period Adjustments	-
Restated Net Position	499,515,597
Net Position, December 31	530,263,365

See accompanying notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Spokane County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Washington State Auditor's Office has further developed and implemented the Budgeting, Accounting, and Reporting System (BARS) designed to promote uniformity among the cities and counties of Washington.

A. Scope of the Reporting Entity

Spokane County was created in 1879 and operates under the laws of the State of Washington applicable to a first-class county with a commissioner form of government. As required by generally accepted accounting principles, the financial statements present Spokane County, the primary government, and its component units. Based on criteria set forth in GASB Statement No. 61 "The Financial Reporting Entity," Spokane County has four component units. The same criteria require that the component units' financial information be blended into the County's financial statements. These organizations and their relationships with the primary government are discussed below:

<u>Newman Lake Flood Control District</u> – The Newman Lake Flood Control District was created to oversee necessary flood control or storm water control improvements within the District or any participating zones. The County Commissioners act as the governing body for this District and can impose their will on the District by approving their budget and appointing a five-member citizen committee. Employees of the District are County employees and the County performs all accounting for the District. The District has one fund which accounts for its general fund activity. This fund is blended into the County's financial statements at the fund level in the special revenue funds and at the entity-wide level in the Governmental Activities for 2013.

<u>Moran Prairie Library Capital Facilities Area</u> – The Moran Prairie Library Capital Facilities Area was created to construct the new Moran Prairie Library and was approved by the voters of the Moran Prairie area. The County Commissioners act as the governing body and can impose their will on the Area. The Commissioners appoint management and approve the budget for the Area. The daily operations of the Area are performed by the Spokane County Library District employees. The Area has one fund which account for the debt service of the Area. This fund is blended into the County financial statements at the fund level in the debt service funds and at the entity-wide level in the Governmental Activities for 2013.

<u>Liberty Lake Transportation Benefit District</u> – The Liberty Lake Transportation Benefit District was created for the purpose of financing the installation, construction, improvement and maintenance of a system of pathways, bikeways, trails and associated facilities in the Liberty Lake area. The County Commissioners act as the governing body and can impose their will on the District. The Commissioners approve the issuance of debt and approve the transfer of funds to the County and the City of Liberty Lake for approved projects within the boundaries of the District. The District has no employees. Accounting for the District is performed by Spokane County employees. The District has two funds

which account for the construction and debt service. These funds are blended into the County financial statements at the fund level in the capital projects funds and debt service funds, and at the entity-wide level in the Governmental Activities for 2013.

Health Sciences and Services Authority – The Health Sciences and Services Authority (HSSA) was created to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. The operations of the Authority are financed by a sales tax levy not to exceed .02 percent. The Authority is not authorized to levy taxes. Substitute Senate Bill 6727 ("the Bill") became effective on July 13, 2010 which allows the HSSA to borrow money under certain limited conditions. In 2010, the County issued a bond in the amount of $10.73 million and loaned the proceeds to the Authority for operations. The loan is to be repaid from a reservation of the sales tax revenues collected by the Authority. Prior to enactment of the Bill, the Authority could not issue debt without the approval of Spokane County. A rule that the Authority cannot spend more than ten percent of its budget on staff and administrative costs was also made permanent by the Bill. The Authority has four funds which account for its general fund activity. These funds are consolidated and blended into the County's financial statements at the fund level in the special revenue funds and at the entity-wide level in the Governmental Activities for 2013.

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

Spokane County Rural Library District - The County Commission is responsible for appointing the board members of the Spokane County Rural Library District. However, the appointing is more administrative than substantive, since current library board members interview potential library board members and the County Commission approves those selected by the current library board members. The operations of the District are financed by a separate property tax levy. Spokane County has no financial responsibility for, nor does it receive any financial benefit from the Spokane County Rural Library District.

Spokane Regional Clean Air Agency - The five member board of directors is composed of one Spokane County commissioner, one Spokane City representative, one Spokane Valley City representative, one small cities/towns representative and one member-at-large. The County paid $191,727 to the Agency in 2013 as its share of operations. Spokane County and all cities in the County are required to finance a portion of the operating costs of the Agency each year by state law (RCW 70.94). A Clean Air Note Payable was issued by the County in 2008 and backed by the County's full faith and credit. This note was paid in full in 2013.

Spokane Transit Authority - The board of directors is composed of two Spokane County commissioners, three Spokane City council members, two Spokane Valley City council members, one Millwood City council member, one City of Cheney council member, and one labor representative. Spokane Transit Authority is funded by a sales tax levy, federal and state grants, and rider fares. The County has no oversight responsibility nor does any financial interdependency exist.

The County participates in three joint ventures which include the Spokane International Airport, the Spokane Regional Health District and the Spokane Regional Transportation Council. These organizations are not part of the County and are excluded from the accompanying financial statements. See Note 17, Joint Ventures, for a more in-depth description of these three organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Additionally, the County's accounting system allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenues include 1) charges to customers who purchase or use goods or services provided by a given function segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County uses a 60 day availability period for revenue recognition. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Spokane County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The **County Road Fund** is used to account for the maintenance and operations of the public roads and bridges of the County.

The **Community Services Mental Health Fund** is used to account for federal and state grants which provide for the mental health care and treatment.

Spokane County reports the following major proprietary funds:

The **Sewer Enterprise Fund** accounts for sewer services to County residents and those of the City of Spokane Valley, the Town of Millwood, and some of the residents of Liberty Lake, but not for other incorporated areas within Spokane County. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, construction, and related debt service.

Additionally, the County reports the following fund types:

Internal service funds account for equipment rental, self-insurance, public works administration, detention services and central computing and data processing services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Investment trust funds account for the external pooled and non-pooled investments held on behalf of external pool participants in the County's investment program. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this general rule are payments-in-lieu-of-taxes and other charges between the County's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include a) charges for services, b) operating grants and contributions, and c) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, storm water utility, aquifer protection, golf courses, building and planning, and the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

Scope of Budget

Annual appropriated budgets are adopted at the fund level for the general, special revenue, debt service, and all proprietary funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles for calendar year activity. For grant and capital projects activity, a multi-year budgeting process is used which caps total budgeted expenditures at a set amount, but does not lapse at year end. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for governmental funds only. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. The National Council on Governmental Accounting, Statement No.1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Annual appropriations for general, special revenue, and debt service funds lapse at year-end, with the exception of grants as stated above. All capital projects funds are controlled by multi-year budgets and therefore, appropriations do not lapse at the end of the fiscal year.

Procedures for Adopting the Original Budget

The County's budget procedures are mandated by RCW 36.40. The steps in the budget process are as follows:

<u>Preliminary Budget</u>

Prior to the first Tuesday in September, the County Budget Office works with the County departments to prepare a proposed budget for the ensuing fiscal year.

Revisions by County Commissioners

On or before the first Tuesday in September, the County Chief Executive Officer submits the proposed budget to the Board of County Commissioners. The Board may meet with any department and make revisions it deems advisable.

Notice of Hearing on Budget

The Board of County Commissioners publishes a notice stating that it has completed and placed on file it's preliminary budget for the ensuing fiscal year for any citizen to review and that it will meet on the first Monday in December to commence hearings on the budget.

Budget Hearing

On the first Monday in December, any citizen may appear at this meeting to be heard for or against any part of the budget. The hearing may be continued from day to day until concluded, but not to exceed a total of five days. The Board of County Commissioners may make adjustments to the proposed budget.

Final Budget to be Adopted

Upon conclusion of the budget hearing, the Board of County Commissioners shall by resolution adopt the final balanced budget by fund and enter it in the official minutes of the Board.

Amending the Budget

The County Budget Office is authorized to transfer budgeted amounts between object classes within departments. However, any revisions that alter the total expenditures of a fund or that affect the number of authorized positions, salary ranges, hours, or other conditions of employment must be approved by the County Commission.

When the County Commission determines that it is in the best interest of the County to increase or decrease an appropriation for a particular fund, it may do so by resolution approved by a majority after holding a public hearing. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. 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.

Excess of Expenditures over Appropriations

As of December 31, 2013, there were no expenditures that exceeded legal appropriations

Deficit Fund Net Position

As of December 31, 2013, two funds were reporting a deficit balance. For further explanation, see notes 19 and 20.

Fund	**Deficit**
404 – Utilities Landfill Closure	$16,245,599
435 – Solid Waste	92,770

E. Assets, Liabilities, and Fund Balance or Net Position

Cash and Cash Equivalents

It is the County's policy to invest all temporary cash surpluses. At December 31, 2013, the Treasurer held $21,117,109 in short-term residual investments of surplus cash. The interest on these investments was credited to the General Fund.

The amounts reported as cash equivalents also include compensating balances maintained with banks in lieu of payments for services rendered. The average compensating balance maintained during 2013 was approximately $36,106,525.

For purposes of the Statement of Cash Flows, the County considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments

See Note 3, Deposits and Investments.

Receivables

Taxes receivable consists of property taxes and related interest and penalties for the current year and past due amounts from previous years (see Note 4 - Property Taxes). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals and/or organizations for goods and/or services including amounts owed for which billings have not yet been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals and/or organizations for goods and/or services rendered.

Amounts Due To and Due From Other Funds and Governments and Interfund Loans

These accounts include all interfund receivables and payables, both current and long-term. If necessary, fund balance is either restricted or committed, which includes the entire amount of such outstanding loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances." A separate schedule of interfund loans receivable and payable is furnished in Note 15, Interfund Balances & Transfers.

Inventories and Prepaid Items

All inventories, with the exception of Equipment Rental and Revolving, are valued at cost using the first-in/first out (FIFO) method. Equipment Rental and Revolving uses the average cost method. Inventories in governmental funds consist of expendable supplies held for consumption. The costs are recorded as expenditures at the time inventory items are used. A comparison to market is not considered necessary.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets and Related Liabilities

These accounts contain resources for state grant mandated mental health risk reserves, unspent bond proceeds, bond reserves, and current and delinquent special assessments receivable. The current portions of related liabilities are shown as payables from restricted assets, if required, and related fund balance or net position is shown as restricted.

The restricted assets are composed of the following:

	2013
Special Assessments- CFR	$31,725,367
Cash and Investment - Mental Health Risk Reserve	16,381,224
Cash and Investment - Sewer Revenue Bond Reserve	12,752,439
Cash and Investment - Regional Water Reclamation Unspent Bond Proceeds	-
Cash and Investment - Fair Loan to be used as Bond Spend Down	1,797,270
Cash and Investment - HSSA Bond Reserve	500,000
Cash and Investment - Detention Services	-
Total Restricted Assets	$63,156,300

Capital Assets (see Note 5)

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (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 County defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life of more than a single fiscal period. All real property, regardless of cost, is capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

In 2010, the County implemented GASB Statement No. 51 “Accounting and Financial Reporting for Intangible Assets” which requires the recognition of intangible assets on the statement of net position. The County has identified intangible assets as capacity rights, easements, purchased software in excess of $5,000, other intangibles, and internally generated software in excess of $100,000.

Property, plant and equipment of the primary government are depreciated using the straight-line method with zero salvage value. Infrastructure and intangible assets are also depreciated using straight-line method with zero salvage value. Estimated useful lives are as follows:

Buildings	50 years
Improvements other than buildings	25 years
Vehicles	5 years
Equipment	5 years
Heavy equipment	10 years
Software	3 years

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

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave and compensatory time. All vacation pay, PTO (paid time off), and compensatory time is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation pay, which may be accumulated up to a total of twice the amount earned annually or to a maximum amount of 40 days, whichever is less, is payable upon resignation, retirement, or death. The PTO plan was designed to offer employees flexibility and manage their paid time off for certain employees. It does not distinguish between sick leave and vacation pay. PTO time can also be accumulated up to a total of twice the amount earned annually. The balance is payable upon resignation, retirement or death. Sick leave may accumulate up to 180 days for employees hired prior to July 1989. For these employees, fifty percent of outstanding sick leave up to 130 days is payable upon retirement or death for those opting out of long-term disability coverage. For employees hired after June 1989, a long-term disability program has been offered in lieu of the sick leave payoff option. These employees may accumulate up to 75 days of sick leave with no payout option. In 1994, Spokane County started accruing a liability for sick leave per GASB Statement No.16 “Accounting for Compensated Absences.” The termination payment method was the method chosen to calculate this liability.

Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Long-Term Obligations (see Note 10)

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds 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 are expensed as incurred per GASB 65.

Unearned Revenues

This account includes amounts recognized as receivable, but not revenues in governmental funds because the revenue recognition criteria have not been met.

Fund Balance

In 2011, the County implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This standard changes the classifications of fund balance in ***governmental funds*** from designated and undesignated to nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance is defined as amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance is defined as amounts restricted for a specific purpose by either an external source or enabling legislation.

Committed fund balance is defined as amounts that can only be used for a specified purpose imposed through formal action of the government's highest level of decision making authority.

Assigned fund balance is defined as amounts that are constrained by the government's intent for a specified purpose authorized by someone to whom the governing body has delegated authority to.

Unassigned fund balance represents all remaining fund balance not classified in one of the other categories. Unassigned fund balance is only present in the General Fund or to report a negative fund balance in another governmental fund type.

<u>Fund Balance Classifications</u>

For committed fund balance, the highest level of decision making authority is the Board of County Commissioners. This must be established in a resolution adopted by the Board in an open public meeting.

For assigned fund balance, the Board of County Commissioners usually delegates authority to the County Chief Executive Officer. However, elected officials and department heads, within the scope of their Board approved budgets, may assign fund balance for a specified purpose.

In accordance with County fund balance policy adopted by the Board of County Commissioners, restricted fund balance is to be considered spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. After restricted fund balance is considered, remaining fund balance is considered to be spent using committed, assigned, and unassigned, in that order.

<u>Fund Balance Details</u>

Total restricted, committed, and assigned fund balance for all governmental funds was $110,375,955, $4,850,591, and $10,758,178, respectively.

Some of the major contributors of the restricted fund balance are as follows:

Fund	Description	Amount
010	Receivable for loan made to Health Science and Services Authority	$8,130,000
010	Various Designated Unreserved Fund Balances from external Sources	2,860,592
010	Receivable for loan made to the Public Facilities District	14,935,305
123 & 131	Loan Receivable for Housing Grant program	14,459,825
132 & 160	Emergency Communication/Crime Check Sales Tax	23,334,298
148	Mental Health Sales Tax and Medicaid Grant Reserve	22,519,233
163	Liberty Lake LIFT Sales Tax	3,607,932
		$89,847,184

The remaining restricted fund balance is the result of enabling legislation, unspent grant proceeds, and other externally restricted purposes.

Some of the major contributors of the committed fund balance are as follows:

Fund	Description	Amount
010	Various Designated Unreserved Fund Balances from external Sources	$438,421
117	Donations for public access improvements/additions to Conservation Futures Properties	671,794
129	Donations for the care and maintenance of Conservation Futures properties	641,975
140	Care and maintenance of the RSN properties	869,984
150	Transfer from the General Fund to support 4.5 FTE in District Court Probation	1,343,254
302	Construction efforts for various remodels	322,590
		$4,288,019

The remaining committed fund balance is the result of commitments by the Board of County Commissions for purposes they determined to be necessary to carrying out the County's mission.

Minimum Fund Balance

As adopted in the County's fund balance policy, the Board of County Commissioners is committed to maintaining a minimum fund balance of no less than ten percent of the current projected annual revenues of the County General Fund. In the event the fund balance drops below the minimum level, a plan will be included within the annual budget for restoring the fund balance to the minimum level within four years.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund Balance Sheet includes a reconciliation between the fund balance total for governmental funds and net position total for governmental activities, as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets used in government activities are not current financial resources and therefore are not reported in the funds.

The details of this $231,748,448 difference are as follows:

Capital assets at historical cost	$	771,884,550
Accumulated depreciation		(540,136,102)
Net adjustment	$	231,748,448

Another element of that reconciliation states that revenues not available to pay current period expenditures are deferred inflows of resources in governmental funds.

The details of this $4,674,545 difference are as follows:

Taxes	$	2,639,580
Superior court revenue		1,010,708
Other miscellaneous revenue		1,024,257
	$	4,674,545

Another element of that reconciliation explains that internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.

The details of this $60,444,034 difference are as follows:

Net position of internal service funds	$	59,856,118
Cumulative adjustment to business-type activities		587,916
	$	60,444,034

Another element of that reconciliation states that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

The details of this $(81,478,063) difference are as follows:

Bonds payable	$	(56,509,651)
Amortized on bond issuance		(3,728,691)
Other non-current liabilities		(7,355,834)
Net OPEB obligation		(4,981,724)
Compensated absences		(8,902,163)
	$	(81,478,063)

B. Explanation of Certain Differences between the Government Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities, as reported in the government-wide Statement of Activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as revenues. In the Statement of Activities, the cost of those assets is capitalized and depreciated over the period of the assets useful life.

The details of this $20,768,174 difference are as follows:

Capital outlay	$	36,339,254
Depreciation expense		(14,136,253)
Loss on disposal of capital assets		(264,438)
Capital contributions		50,300
Asset transfers		(1,220,689)
	$	20,768,174

Another element of that reconciliation states that internal fund expenses are allocated to other funds. The net expense of the internal service fund activities is reported with governmental activities on the Statement of Activities.

The details of this $5,361,696 difference are as follows:

Internal service fund change in net position	$	5,773,190
Allocation to business-type activities		(411,494)
	$	5,361,696

Another element of that reconciliation explains that the issuance of long-term debt provides current financial resources to government funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Changes in other long term liabilities do not consume or provide current financial resources and are not recorded in governmental funds.

The detail of this $5,111,558 entry is the net effect of these differences:

Principal outlay	$	8,245,827
Debt proceeds and capital leases		(2,239,588)
Amortized amounts on bond issuance		504,667
Long term debt interest		(14,323)
Net OPEB obligation		(771,223)
Compensated absences		(613,802)
	$	5,111,558

Another element of that reconciliation states that governmental funds report revenue in the current period for revenues received in prior periods since they were not available financing sources at the time. Governmental-wide statements record revenues at the time they are earned. This amount accounts for the change in deferred inflows of resources.

The details of this $877,663 difference are as follows:

Tax revenue	$	(87,964)
Court revenue		(58,630)
Other miscellaneous revenue		1,024,257
	$	877,663

C. Explanation of Certain Differences between the Enterprise Fund Total on the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary funds Statement of Net Position includes a reconciliation between the net position total for enterprise funds and net position from business-type activities, as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that a portion of certain internal service funds gains and losses are included with business-type activities at the entity wide level.

The details of this $(587,916) are as follows:

Cumulative adjustment to business-type activities	$	(587,916)
	$	(587,916)

D. Explanation of Certain Differences between the Enterprise Fund Total on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position and the Government-Wide Statement of Activities

The proprietary funds Statement of Revenues, Expenses and Changes in Net Position includes a reconciliation between the enterprise funds change in net position and change in net position business-type activities, as reported in the government-wide Statement of Activities. One element of that reconciliation explains that a portion of certain internal service funds gains and losses are included with business-type activities at the entity wide level.

The details of this $411,494 are as follows:

Allocation to business-type activities	$	411,494
	$	411,494

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash received and accumulated by the County is deposited and invested as legally prescribed in various financial institutions in the form of U.S. Government obligations, U.S. Government agencies, certificates of deposit, savings accounts, bankers' acceptances, repurchase agreements, municipal bonds and the Washington State Treasurers Local Government Investment Pool.

B. Investments

It is the policy of Spokane County to safely invest public funds in accordance with governing statutes in a manner which will provide the best investment return given; the Treasurer has a banking custodial duty to return the principal to the entities when needed. Investments are made by designated personnel in accordance with the Spokane County Treasurer's investment policy. The Treasurer's policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis.

The County's deposits and certificates of deposit are held by banks that are designated as public depositories in the state of Washington and fall under the scope of the state of Washington's Public Deposit Protection Act. Public depositories must fully collateralize all uninsured public funds with collateral held by a designated trustee.

	Maturity	Market Value of Investments Held for Spokane County	Market Value of Investments held for Other Participants	Market Value All Investments
U.S. Government Securities				
Federal Agencies	6/23/2017	$ 146,346,980	$ 248,768,925	$ 395,115,905
Certificates of deposit	8/28/2014	7,407,800	$ 12,592,200	20,000,000
Municipal Bonds	8/14/2015	73,452,473	$ 124,858,694	198,311,167
County Notes	8/29/2016	2,888,564	$ 4,910,146	7,798,710
Subtotal Investments		230,095,817	391,129,964	621,225,781
Local Government Investment Pool		79,983,189	135,959,976	215,943,165
Total Investments		$ 310,079,006	$ 527,089,940	$ 837,168,946

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to a change in market interest rates. One way interest rate risk is managed is by staggering maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations. Interest rate risk is further mitigated by the purchase of variable rate step-up callable federal agency securities. The coupon rate of these investments increases or steps-up over the life of the security to reduce interest rate risk in a rising rate environment. The weighted average maturity for the Spokane County Investment Pool (SCIP) was 542 days during 2013. The maximum average maturity for the SCIP is two years. To ensure that there is always sufficient liquidity to meet obligations, the SCIP investment policy requires that at least 10% of the portfolio be invested in overnight investments and that the portfolio should be structured so that securities mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity. The following table shows a distribution of investments by maturity.

	Par	12 Months or Less	12-24 Months	24-36 Months	36-48 Months	48-60 Months
Bank Compensating CD's	$ 20,000,000	$ 20,000,000	$ -	$ -	$ -	$ -
State of WA LGIP *	215,943,165	215,943,165	-	-	-	-
Fixed Rate Federal Agencies	25,000,000	-	25,000,000	-	-	-
Fixed Rate Callable Federal Agencies **	269,395,000	269,395,000	-	-	-	-
Variable Rate Callable Federal Agencies **	105,000,000	105,000,000	-	-	-	-
Fixed Rate Certificates of Deposits	-	-	-	-	-	
Municipal Bonds	193,292,187	58,780,000	66,705,000	50,897,187	16,910,000	-
Spokane County Notes	7,798,710	5,242,972	1,019,897	268,105	181,105	1,086,631

*The LGIP is an investment pool managed and operated by the State Treasurer's Office for the benefit of government entities in the State of Washington. The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report of the State of Washington. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission and invests in high-quality, short-term investments. All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services. Investments are restricted to fixed rate securities that mature in 397 days or less and/or floating and variable rate securities that mature in 762 days or less. The portfolio must maintain a weighted average maturity of 90 days or less.

**These have maturity dates between 12 and 60 months, but are callable within one year.

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Certain investments are measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits public fund investments to safe, high-quality securities including bankers acceptance, commercial paper, federal agency securities, U.S. Treasury securities, repurchase and reverse repurchase agreements, municipal bonds, certificates of deposits, mutual funds and money market funds. The SCIP investment policy, in accordance with state law, further limits the types of securities the County can invest in.

Presented below is the minimum rating required by the state statute and the actual rating as of the end of the year 2013 for each type of investment.

Investment Type	Amount	Minimum Rating	Year End Rating
Federal Agency Securities	$ 399,395,000	AAA	AAA
Municipal Bonds	23,172,187	A	AAA
Municipal Bonds	158,085,000	A	AA
Municipal Bonds	12,035,000	A	A
Spokane County Notes	7,798,710	N/A	N/A
State LGIP *	215,943,165	N/A	N/A
Bank Compensating CD	20,000,000	N/A	N/A

E. Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The SCIP investment policy mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer. Presented below are investments in any one issuer that represent 5% of more of the total of the County's investment pool.

Issuer	Investment Type	Amount	Percentage
Federal Home Loan Bank	Government Agency	$ 89,400,000	11%
Federal National Mortgage Assoc.	Government Agency	171,250,000	20%
Federal Home Loan Mortgage Corp.	Government Agency	112,745,000	13%

F. External Investment Pool

The Spokane County Investment Pool (SCIP) records its investments at face value, net of unamortized premium or discount, and amounts to $840,425,172 of the total investments at December 31, 2013. This reflects an increase over the prior year. Management intends to hold all securities until maturity. During 2013, the County did not realize any gains or losses from the sale of investments because management held all securities until maturity. Spokane County experienced a decrease in the market value of investments for 2013. This was due to the considerable rise in interest rates that occurred in May and June of 2013. After that, rates were relatively stable for the rest of the year.

The unrealized loss on investments held at year end was $4,919,910. There were no investments purchased by districts not invested in the SCIP for 2013.

Money deposited by participants of the SCIP is treated as invested when deposited, while the other districts must direct us to invest their money. The district money not invested in the SCIP, as well as County departments that cannot invest their own money is invested by the County's general fund, which earns interest. This amount of residual at December 31, 2013, was $21,117,109.

The County reported investments at fair value in accordance with GASB No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools." U.S. Bank Custody Services is used to determine the market value of securities. Fair value is based on quoted market prices as of the last day of the period. Each participant's share of the pool is calculated annually and is based on the participant's cash balance at year end.

There is no involuntary participation in the Spokane County Investment Pool. All participants have the option of investing in the Pool, the Washington State Local Governmental Investment Pool, or requesting specific investments outside of the Pool. However, some participants are required by state law to have the County Treasurer manage their money.

The State Auditor's Office and the Finance Committee of Spokane County provide regulatory guidance. The Pool is not registered with the SEC and has not obtained or provided any legally binding guarantees.

Condensed statements for the Pool are presented below:

Condensed Statement of Net Position Year ended December 31, 2013	
Assets	
Investments in SCIP	$ 837,625,755
District directed investments	-
Accrued interest receivable	5,113,427
Due from other governments	5,000
Total assets	842,744,182
Deferred Outflows of Resources	
Liabilities	
Distributions payable	534,934
Total Liabilities	534,934
Deferred Inflows of Resources	
Net Position	
Assets held in trust	842,209,248
Total Net Position	842,209,248
Assets held in trust:	
External pool	530,263,365
Internal pool	311,945,883
Directed investments	-
	$ 842,209,248

Condensed Statement of Changes in Net Position Year ended December 31, 2013		
Investment income (net of distributions)	$	(4,919,910)
Net change in pool investment deposits		24,840,655
Net change in directed investments		-
Net decrease resulting from operations		19,920,745
Net Position 12/31/2012		822,288,503
External pool		530,263,365
Internal pool		311,945,883
Directed investments		-
Net Position 12/31/2013	$	842,209,248

The external pool is 62.961% of the Spokane County Investment Pool.

NOTE 4 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. The following is an annual timeline for tax collections:

<u>Property Tax Calendar</u>

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

In governmental funds, property taxes are recorded as a receivable when levied, offset by amounts received but not available. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer in January. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectable.

The County may levy up to $1.80 per $1,000 assessed valuation for general governmental services. This rate is then subject to two limitations:

a) Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, not including new construction. If the rate increases by more than one percent for the year the County may use the highest tax rate from 1986 to compare to the current rate to establish if there was an increase greater or less than 1 percent. If the rate established is greater than 1 percent of the highest year from 1986 the rate will be reevaluated and decreased.

b) Washington State law in RCW 84.52.050 limits the total regular property taxes to one percent of assessed valuation or $10 per $1,000 of value. If the taxes of all districts within a tax code area exceed this amount, each taxing district’s rate is proportionately reduced until the total is at or below the one percent limit.

The County is also authorized to levy taxes in unincorporated areas up to $2.25 per $1,000 of assessed valuation for road construction and maintenance, which is subject to the same limitations as the levy for general government services.

The maximum amounts which may be levied and the actual 2012 levies (for collection in 2013) were:

	Maximum Levy	Levy in Dollars Per Thousand	Assessed Value	Total Levy
General Fund	$ 1.8000	$ 1.29818	$ 36,403,734,401	$ 47,258,503
Conservation Futures	0.0625	0.04753	36,403,734,401	1,730,314
County Road	2.2500	1.68618	11,977,986,519	20,197,058

RCW 36.33.220 authorizes the County to divert a portion of the County Road levy to be used for the purpose of traffic law enforcement. The diverted road levy for 2012 to be collected in 2013 was $1,200,000.

NOTE 5 – CAPITAL ASSETS

A. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	December 31, 2012	Additions	Deletions	December 31, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	$ 50,317,040	$ 5,337,588	$ (593,766)	$ 55,060,862
Easements	49,183	57,556		106,739
Intangibles	1,092,186			1,092,186
Construction-in-progress	29,647,114	26,120,293	(14,765,017)	41,002,390
Total capital assets not being depreciated	81,105,523	31,515,437	(15,358,783)	97,262,177
Capital assets being depreciated				
Depleted Land	2,528,749			2,528,749
Building and structures	122,190,437	2,877,603	(757,773)	124,310,267
Other improvements	541,563,913	8,354,494	(216,273)	549,702,134
Machinery and equipment	59,260,481	11,115,036	(2,879,581)	67,495,936
Total capital assets being depreciated	725,543,580	22,347,133	(3,853,627)	744,037,086
Intangible assets being amortized				
Software	442,860	1,723,428		2,166,288
Total intangible assets being amortized	442,860	1,723,428	-	2,166,288
Less accumulated depreciation and amortization for:				
Land	512,010	514		512,524
Building and structures	58,838,904	2,139,206	(228,344)	60,749,766
Other improvements	463,870,305	9,236,367	(208,079)	472,898,593
Machinery and equipment	49,388,316	4,403,657	(2,631,046)	51,160,927
Intangible Software	224,914	425,686		650,600
Total accumulated depreciation and amortization	572,834,449	16,205,430	(3,067,469)	585,972,410
Total capital assets being depreciated and amortized, net	153,151,991	7,865,131	(786,158)	160,230,964
Governmental activities capital assets, net	$ 234,257,514	$ 39,380,568	$ (16,144,941)	$ 257,493,141

Business-type capital asset activity for the year ended December 31, 2013 was as follows:

	December 31, 2012	Additions	Deletions	December 31, 2013
Business-type Activities				
Capital assets not being depreciated				
Land	$ 9,076,136	$ 372,279		$ 9,448,415
Construction-in-progress	2,131,721	3,754,770	(653,124)	5,233,367
Total capital assets being not depreciated	11,207,857	4,127,049	(653,124)	14,681,782
Capital assets being depreciated				
Building and structures	195,315,613	1,429,325		196,744,938
Other improvements	412,132,600	2,544,516		414,677,116
Machinery and equipment	7,056,673	404,553	(211,356)	7,249,870
Total capital assets being depreciated	614,504,886	4,378,394	(211,356)	618,671,924
Intangible assets being amortized				
Software	378,324	6,359		384,683
Capacity Rights	4,836,597	442,345		5,278,942
Total intangible assets being amortized	5,214,921	448,704	-	5,663,625
Less accumulated depreciation and amortization for:				
Building and structures	11,749,973	3,871,790	50,546	15,672,309
Other improvements	94,657,255	8,845,922		103,503,177
Machinery and equipment	5,848,764	333,831	(521,048)	5,661,547
Software	70,752	118,621		189,373
Capacity Rights	2,535,600	98,838		2,634,438
Total accumulated depreciation and amortization	114,862,344	13,269,002	(470,502)	127,660,844
Total capital assets being depreciated and amortized, net	504,857,463	(8,441,904)	259,146	496,674,705
Business-type activities capital assets, net	$ 516,065,320	$ (4,314,855)	$ (393,978)	$ 511,356,487

Depreciation and amortization expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	$ 1,501,391
Judicial Services	70,376
Public Safety	4,319,150
Physical Environment	19,083
Transportation	9,314,808
Health and Human Services	149,563
Culture and Recreation	831,059
Total Depreciation - Governmental Activities	$ 16,205,430
Business-Type Activities:	
Sewer Operations	$ 11,559,977
Other Enterprise Funds	1,709,025
Total Depreciation - Business-Type Activities	$ 13,269,002

NOTE 6 – CONSTRUCTION COMMITMENTS

The County has active construction projects as of December 31, 2013. The projects include road and bridge construction, the construction of residential side sewers, and the Regional Wastewater Reclamation Facility.

Project	Spent-To-Date	Remaining Commitment
Road and Bridge Construction/Expansion	$ 8,311,150	$ 8,911,958
Stormwater Utilities	548,882	1,451,118
Regional Utilties Facilities	1,656,572	10,544,428

The commitment for road and bridge construction is being financed from general obligation bonds and from grants from state and federal agencies. The commitment for the residential side sewers are being financed in part by state grants, general obligation bonds, wastewater revenue bonds, wastewater taxable revenue bonds and by the benefiting property owners. The Regional Wastewater Reclamation Facility is financed by state grants, state loans, general obligation bonds, wastewater revenue bonds, wastewater taxable revenue bonds and by the benefiting property owners.

NOTE 7 - PENSION PLANS

Substantially all County full-time and qualifying part-time employees participate in one of the following statewide government retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statement No. 25 and No. 27.*

A. Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of the legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

PERS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for reporting purposes.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS - covered employment.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. PERS Plan 3 defined contribution retirement benefits are financed from employee contributions and investment earnings. Members in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. AFC is the monthly average of the 24 consecutive highest-paid service credit months. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced.

Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Effective June 30, 2011, the automatic annual benefit increase for retirees/beneficiaries in PERS Plan 1 was eliminated, and the Adjusted Minimum Benefit limit was increased to $1,545 per month. Additionally, the minimum employer contribution rates for the unfunded liability were lowered.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced if the survivor option is chosen. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a Plan 1 member who dies after having earned 10 years or service credit has the option of receiving either a monthly benefit or a lump sum payment of the member's contributions plus interest.

LEOFF Plan 1 members who transferred service credit to PERS Plan 1 between July 1, 1997 and July 1, 1998, are permitted to include the years of transferred service in meeting the 25 years of member service requirement to qualify for up to five years of prior, or non-interruptive, military service credit.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

Half time service credit is granted for members of PERS Plan 2 and Plan 3 for educational employment prior to January 1 1987.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced if a survivor option is chosen.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned 10 years of service credit may request a refund of the member's contributions plus interest.

The defined benefit component of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit, and Plan 3 provides the same COLA as Plan 2.

Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by three percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefits are actuarially reduced if a survivor option is chosen.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

Beneficiaries of a PERS Plan 2 or Plan 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

PERS Plan 2 and Plan 3 members may have up to 10 years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. A member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury. PERS Plan 2 and Plan 3 members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Portability of retirement benefits allows for PERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for PERS Plan 1 and Plan 3 members was discontinued.

Additional COLAs were provided to PERS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for PERS Plan 2 and Plan 3 members.

From January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC.

Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Members who chose to participate would:

Accrue service credit at the higher multiplier beginning with the date of their election.

Be subject to the benefit cap of 75 percent of AFC. Stop contributing to the Judicial Retirement Account (JRA).

Pay higher contributions.

Be given the option to increase the multiplier on past judicial service.

Members who did not choose to participate would:

Continue to accrue service credit at the regular multiplier.

Not be subject to a benefit cap.

Continue to participate in JRA, if applicable.

Continue to pay contributions at the regular PERS rate.

Never be a participant in the JBM program.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM program.

Members required to join the JBM program would:

Return to prior PERS Plan if membership had previously been established.

Be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member.

Accrue the higher multiplier for all judicial service.

Not contribute to JRA.

Not have the option to increase the multiplier for past judicial service.

Judges and justices who are members of PERS may purchase prior judicial service credit at a higher multiplier at retirement.

There are over 2,300 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	82,242
Terminated plan members entitled to but not yet receiving benefits	30,515
Active plan members vested	106,317
Active plan members nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Plan 1 - Employee contribution rates are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

Plan 2/3 - The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

Plan 3 – The employee contribution rates range from 5 to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges who participate in the program.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2013, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.21%**	7.21**%	7.21% ***
Employee	6.00% ****	4.64% ****	*****

*The employer rate includes the employer administration expense fee currently set at 0.16%.
**The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	9.71%	9.71%	9.71%**
Employer-Local Government*	7.21%	7.21%	7.21%
Employee-State Agency	9.76%	9.10%	7.50%***
Employee-Local Government	12.26%	11.60%	7.50%***

*The employer rates include the employer administrative expense fee currently set at 0.16%.
**Plan 3 defined benefit portion only.
***Minimum rate.

Both Spokane County and the employees made the required contributions. Spokane County's required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 418,165	$ 9,457,360	$ 1,567,883
2012	402,985	8,479,457	1,417,723
2011	424,984	7,640,246	1,323,427

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers, firefighters, and as of July 24, 2005, emergency medical technicians.

LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants 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.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at age 50. The benefit per years of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.00%
10 but less than 20 years	1.50%
5 but less than 10 years	1.00%

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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus five percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus ten percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus five percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement benefit.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A COLA is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children may request interruptive military service credit.

Employer authorized shared leave received by LEOFF Plan 2 members from a non-state employer, must receive the same treatment in respect to service credit and FAS that a member would normally receive if using accrued annual leave or sick leave. This applies to directly and indirectly transferred leave, such as through a shared leave pool, and includes leave transferred prior to the effective date of the act providing that retirement contributions were made on the shared leave.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is two percent of the FAS for each year of service. Benefits are reduced to reflect the choice of a survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. 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.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least ten percent of FAS and two percent per year of service beyond five years. The first ten percent of the FAS is not subject to federal income tax.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of health care insurance premiums paid to the Washington state Health Care Authority.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

The optional lump sum payment payable upon remarriage is increased for LEOFF Plan 2 survivors of a member killed in the course of employment from 24 times the monthly allowance that the member was receiving at the time of remarriage to an amount equal to 36 times the monthly allowance.

Portability of retirement benefits allows for LEOFF Plan 2 members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Department of Fish and Wildlife Enforcement Officers can transfer service credit earned as an enforcement officer in PERS Plan 2 or PERS Plan 3 to LEOFF Plan 2. Member, employer and state contribution rates will increase to the extent necessary to fund the difference in the value of the service credit transferred between the plans and the member contributions transferred into LEOFF Plan 2.

There are 425 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and beneficiaries receiving benefits	10,189
Terminated plan members entitled to but not yet receiving benefits	689
Active plan members vested	14,273
Active plan members nonvested	2,633
Total	27,784

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state statute.

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.

However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2013, the state contributed $54.2 million to LEOFF Plan 2.

The required contribution rates expressed as a percentage of current year covered payroll as of December 31, 2013, were:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	n/a	8.46%
State	n/a	3.38%

* The employer rates include the employer administrative expense fee currently set at .16%.

** The employer rate for ports and universities is 8.62%.

Both Spokane County and the employees made the required contributions. The County's required contribution for the years ending December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	$ 32	$ 2,572,664
2012	128	2,557,467
2011	247	2,562,550

C. Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by chapter 41.37 RCW and may be only amended by the Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS membership includes:

> Full-time employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and,
>
> Full-time employees hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, Washington State Patrol;
- Washington State counties;
- Corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a Washington peace officer, as defined in RCW 10.93.020; or

- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children may request interruptive military service credit.

PSERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with 10 or more service credit years in PSERS), or less than 65 (with fewer than 10 service credit years). There is no cap on years of service credit and a cost-of-living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

PSERS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The optional lump sum payment payable upon remarriage is increased for PSERS Plan 2 survivors of a member killed in the course of employment from 24 times the monthly allowance that the member was receiving at the time of remarriage to an amount equal to 36 times the monthly allowance.

Portability of retirement benefits allows for PSERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members.

PSERS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and beneficiaries receiving benefits	27
Terminated plan members entitled to but not yet receiving benefits	60
Active plan members vested	2,083
Active plan members nonvested	2,167
Total	4,337

Funding Policy

Each biennium, the State Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PSERS Plan 2
Employer*	8.87%
Employee	6.36%

*The employer rate includes an employer administrative expense fee of 0.16%.

Both Spokane County and the employees made the required contributions. The County's required contributions for the year ended December 31, 2013 were as follows:

	PSERS Plan 2	
2013	$	1,128,197
2012		945,145
2011		826,722

NOTE 8 - RISK MANAGEMENT

Spokane County uses internal service funds to account for and finance the following self-insured activities: general liability, worker's compensation, medical benefits, dental benefits and unemployment compensation. The self-insurance funds receive premiums from insured departments. The charges to insured departments are based on each department's claim history, estimates of amounts necessary to pay current and prior year's claims, a margin for catastrophic losses and proportioned costs associated with claims management. Premiums are reported as revenues in the internal service funds and as expenses or expenditures in the paying funds.

The estimated liability for probable self-insurance loss or incurred but not reported (IBNR) claim cost is accrued in all self-insurance internal service funds except for the Self-Insurance Unemployment Compensation Fund. The claims liability or IBNR reported at year-end is based on either certified actuarial reports or estimates from insurance providers. Accounting standards state that if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated a charge to income must be made as of the date of the financial statements.

Settlements for the past three years have not exceeded insurance coverage. A summary of the changes in the self-insurance fund's IBNR is presented at the end of this note.

A. Self-Insurance Workers' Compensation- Fund 505

This Fund accounts for the County's Self-Insurance Workers' Compensation Program and Safety Programs. Prior to June 1, 1997, the County contracted with Self-Insured Risk Management Services (SIMS), a third-party administrator to process the County's workers' compensation claims. On June 1, 1997, the County's Risk Management Department assumed the responsibility of processing workers' compensation claims. The Workers' Compensation Fund is financed by interfund premiums charged to departments and a payroll deduction from employee wages. Interfund premiums are calculated on the number of hours worked by the department's employees multiplied by an hourly rate that varies for different worker classifications. Pricewaterhouse Coopers LLP completes an actuarial study annually. The actuary develops the rates and a year-end estimate of IBNR. The County purchases per-occurrence excess insurance with a self-insured retention of $450,000 ($750,000 for law enforcement). The County certifies annually to the State Department of Labor and Industries that cash reserves equal to at least 125% of claim costs are maintained.

B. Self-Insurance Dental - Fund 506

The County primarily funds the dental program. However, percentage employees and COBRA participants pay all or a portion of their premium. Insured departments pay a per employee premium each month. Beginning in 2012, non-represented employees and certain union employees began paying a small amount towards their dental premium. Premiums are evaluated annually with the assistance of the County's insurance broker, Moloney and O'Neill. Premiums are based on the estimated per employee cost of incurred claims. The County's dental insurance providers are Delta Dental of Washington and Willamette Dental. The County is not self-insured for employees covered under Willamette Dental. A per-person premium is paid directly to Willamette Dental from the appropriate departments. The claims liability reported in the fund at year-end is based on Moloney and O'Neill's estimate of IBNR plus administration costs. The dental plan specifies a maximum benefit amount of $2,000 per person per year.

C. Self-Insurance Liability- Fund 507

The Liability Insurance Fund is financed by interfund premiums charged to insured departments. Pricewaterhouse Coopers LLP completes an actuarial study annually which develops cost allocation rates and a year-end estimate of IBNR. Spokane County elects to completely self-insure its automobile physical damage and environmental losses. It is provided third-party liability insurance coverage for general, automobile, officers & directors and professional liability insurance through its membership with the Washington Counties Risk Pool (the Pool) to protect the County against accidents arising out of Spokane County's operations. The Pool policy provides joint liability coverage up to $20 million per occurrence with a $500,000 deductible and joint property coverage up to $500 million per occurrence with a $25,000 deductible.

Spokane County was one of the founding members of the Pool that was formed on August 18, 1988, when 15 counties in the State of Washington joined together by signing an interlocal agreement to pool their self-insured losses and jointly purchase insurance and administrative services. RCW 48.62 authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. Twenty-six counties were participating in the Pool as of year-end 2013.

The Pool allows each member to establish individual insurance programs for non-coverage self-insurance, property insurance and required ancillary insurance coverage for operations such as aircraft, crime and underground petroleum storage tanks liability.

Each member county acquires $20 million of joint liability insurance coverage on a per occurrence basis for third-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury and make annual contributions to fund the Pool. The initial $10 million of coverage is jointly self- insured. However, reinsurance is purchased to protect the Pool directly and its members indirectly from large losses. The Pool has elected a per-occurrence self-insured retention (S.I.R) of $100,000 and members elect deductible amounts ranging from $10,000 per occurrence to $500,000. Spokane County has elected a $500,000 per occurrence deductible. Reinsurance carriers cover all losses over $500,000 per occurrence to a maximum of $20 million for third party coverage. There are no aggregate limits to the payments the Pool makes for any one member county or all member counties combined.

Since the Pool is a cooperative program, there is a joint liability among the participating members. A retroactive assessment was approved in 1999 for a total of $6.5 million with payments starting in 1999 and spread over ten years. The County's proportional share of the assessment was $330,926 or 5.1%. This assessment was completely paid as of December 31, 2003. Once the reassessment was concluded, Pool members chose to increase annual contributions in order to fully fund and maintain a confidence level of 98% in case reserves to fund losses for claims filed by members of the Pool.

Members contract to remain in the Pool for a minimum of five years and must give notice one year before terminating participation. The interlocal agreement is renewed automatically each year until terminated. When members terminate their membership in the pool the member is still responsible for contributions to the Pool for any unresolved, unreported and in-process claims for the period it was a signatory to the interlocal agreement.

The Risk Pool is governed by a board of directors comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting and is responsible for conducting the business affairs of the pool.

D. Self-Insurance Medical- Fund 508

The County's medical program offers two medical plans to employees, Group Health and Premera Blue Cross Preferred Provider. The County is not self-insured for employees covered under Group Health. A per person premium is paid directly to Group Health from the appropriate departments. Effective February 1, 2014 the Group Health plan was converted to a self-funded plan and reporting for that plan will change accordingly.

The Medical Fund is funded by premiums charged to insured departments, payroll deductions from employee wages, COBRA participants and LEOFF retirees. Premiums are evaluated annually with the assistance of the County's insurance broker, Moloney and O'Neill, and are based on the estimated per-employee cost of incurred claims. Employee contributions are negotiated with the County's unions. The claims liability reported in the Medical Fund at year-end is based on Moloney and O'Neills' estimate of IBNR. The County purchases aggregate stop-loss insurance coverage on medical claims. The County's maximum annual liability is equal to 200% of projected claims and administrative expense multiplied by the annualized employee exposure. In April of 2000, the County began purchasing case-specific insurance for claims in excess of $200,000. In February of 2010, the case specific stop loss insurance was increased to $300,000. This change was made to reduce stop-loss premiums.

E. Self-Insurance Unemployment Compensation- Fund 509

The State Employment Security Department bills the County quarterly for actual unemployment payments made to former employees that qualify for benefits. The County also pays an annual processing fee to the State of Washington.

In January 2011, the methodology by which the County charges the appropriate funds and/or departments changed from a per person rate to a rate that is based on the actual claims experience in that individual fund and/or department. The rate is established using a three year history of claims experience with more weight being placed on the most recent year. This change was made to more accurately represent the actual cost of claims in the associated fund and or department.

Summary of Changes in Self-Insurance Funds Claims Liabilities

Changes in funds' claims liabilities for the year ended December 31, 2013, were as follows:

Fund	December 31, 2012	Current Claims and Adjustments	Claim Payments	December 31, 2013
505	$ 2,549,490	$ 935,817	$ (1,887,840)	1,597,467
506	371,400	1,900,548	(1,912,548)	359,400
507	8,763,662	(57,617)	(1,419,410)	7,286,635
508	1,814,200	10,307,874	(10,218,674)	1,903,400
Total	$ 13,498,752	$ 13,086,622	$ (15,438,472)	$ 11,146,902

Changes in funds' claims liabilities for the year ended December 31, 2012, were as follows:

Fund	December 31, 2011	Current Claims and Adjustments	Claim Payments	December 31, 2012
505	$ 2,301,332	$ 1,570,251	$ (1,322,093)	2,549,490
506	387,500	2,013,996	(2,030,096)	371,400
507	10,915,288	320,980	(2,472,606)	8,763,662
508	2,125,000	9,538,313	(9,849,113)	1,814,200
Total	$ 15,729,120	$ 13,443,540	$ (15,673,908)	$ 13,498,752

NOTE 9 - SHORT-TERM DEBT

Short term debt includes anticipation notes, uses of lines of credit, and similar loans with repayment expected within 12 months of origination. The County started the fiscal year with no short-term notes. The County had one note outstanding at year end for $4,340,000, which is reported in Fund 420 - SCRAPS.

Description	Amount Outstanding
$1,825,000 Note from the Spokane County Treasurer's Investment Pool for Spokane County Regional Animal Protection Services to provide capital funding for their new building and improvements bearing interest of 0.50% and due on May 15, 2013.	-
$1,827,319 Note from the Spokane County Treasurer's Investment Pool for Spokane County Regional Animal Protection Services to provide continuing capital funding for their new building and improvements bearing interest of 0.50% and was paid on October 16, 2013. This was an extension of the original $1,825,000 Note.	-
$8.0 million Note from the Spokane County Treasurer's Investment Pool for the General Fund to provide operating cash flow until sufficient tax revenue was received bearing an interest rate of 0.50% and paid on November 1, 2013.	-
$4,340,000 Note from the Spokane County Treasurer's Investment Pool for Spokane County Regional Animal Protection Services to provide capital funding for their new building and improvements bearing an interest rate of 0.30%. This note was a reissue and increase amount of the prior note of May 15, 2013 and is due on January 31, 2014.	4,340,000
	4,340,000

Short term activities for the year ended December 31, 2013 are as follows:

Fund	Debt	December 31, 2012	Borrowed	Payment	December 31, 2013
SCRAPS	Note #1	-	1,825,000	1,825,000	-
SCRAPS	Note #2	-	1,827,319	1,827,319	-
General Fund	Note - TAN	-	8,000,000	8,000,000	-
SCRAPS	Note #3	-	4,340,000	-	4,340,000
		-	15,992,319	11,652,319	4,340,000

NOTE 10 - LONG TERM DEBT

Spokane County's long-term debt includes both Governmental Activities debt and Business-type Activities debt. Governmental Activities long-term debt consists of general obligation bonds, public works trust fund loans, and other general obligation liabilities. Business-type Activities long-term debt consists of general obligation bonds, revenue bonds, and other long-term liabilities that are accounted for in the enterprise funds.

A. General Obligation Debt

The County issues general obligations bonds to provide funds for the acquisition and construction of major capital facilities. General obligations bonds have been issued for both governmental and business-type activities and are repaid from the applicable resources. The original amount of general obligation bonds issued to date is $187,589,620.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds outstanding are as follows:

Description	Amount Outstanding
$848,620 2005 Limited Tax General Obligation Refunding Bonds due in annual installments of 57,881.21 to 86,735.55 through 2016, interest rate 3.00% to 4.50%. The proceeds of this issue were used to retire a portion of the 1996 Series Limited Tax General Obligation Bonds. This debt is serviced by the General Fund.	248,985
$25,385,000 2007 Limited Tax General Obligation and Refunding Bonds due in annual installments of 160,000 to 3,070,000 through 2027, interest 4.00% to 5.50%. Proceeds from this issue were used to partially fund the Annual Sewer Construction Program, retire a portion of the Limited Tax General Obligation Bonds, Series 1998, and retire a portion of the Limited Tax General Obligation Bonds, Series 1999. This debt is serviced by the General Fund (4%), County Road (3%), Golf Course Operations (1%), and Sewer Operations (92%). Arbitrage liability calculation has been completed on the issue and no rebate payment is due.	18,995,000
$896,000 2008 Series A Special Fund Limited General Obligation Bonds (Taxable) due in payments of 47,158, bearing 8.00% interest. Proceeds from this issue were used to pay for a portion of the costs for the acquisition, construction, and installation of Public Improvements within Increment 2006-01. In 2011 additional principal pay down and debt restructure took place reducing original issuance of 1,200,000. This is a taxable issue not subject to the arbitrage rules.	754,526
$17,180,000 2008 Limited Tax General Obligation Bonds due in annual installments of 135,000 to 1,265,000 through 2028, interest 3.00% to 4.50%. Proceeds from this issue were used to partially fund the Annual Sewer Construction Program, install and construct capital improvements to Hangman Valley and Liberty Lake Golf Course, and pay acquisition costs and partially fund improvements for the Wastewater Reclamation Facility. This debt is serviced by Sewer Operations (30%), Golf Course Operations (41%), and Water Reclamation Facility (29%). Arbitrage liability calculation has been completed on the issue and no rebate payment is due.	14,385,000

$2,000,000 2010 Series A Limited Tax General Obligation Taxable Subordinate Lien due in annual installments of 125,000 through 2027 bearing 8.00% interest. Proceeds from this issue were to fund the acquisition, construction and installation of public improvements within increment area No. 2006-01. In 2011 additional principal pay down and debt restructure took place reducing original issuance of 3,000,000. This is a taxable issue not subject to the arbitrage rules.	2,000,000
$25,385,000 2010 Series B Limited Tax General Obligation Tax Exempt Bonds due in annual installments of 2,130,000 to 3,045,000 through 2022, interest of 3.00% to 4.50%. Proceeds from this issue were used to finance a portion of the acquisition, construction and installation of the Water Reclamation Facility, design and construct additions and extensions to the County's Wastewater System in conjunction with the Septic Tank Elimination Program and finance the Wastewater System Project. This debt is serviced by Regional Water Reclamation Facilities. An interim arbitrage calculation is complete through September 2, 2012 with no expectation of arbitrage liability.	23,255,000
$36,525,000 2010 Series C Limited Tax General Obligation Bonds (Build America) due in annual installments of 3,180,000 to 4,190,000 through 2032, interest of 4.32% to 5.01%. Proceeds from this issue were used to finance a portion of the Wastewater System Project. This debt is serviced by Regional Water Reclamation Facilities. Interim arbitrage calculation complete through September 2, 2012 with no expectation of arbitrage liability.	36,525,000
$17,905,000 2010 Series D Limited Tax General Obligation Bonds, Taxable, due in annual installments of 960,000 to 1,400,000, interest rate .85% to 5%. Proceeds from this issue were to repay the County's LTGO Raceway Park Bond Anticipation Notes, fund a loan to the Health Sciences and Services Authority and finance the construction of improvements to Spokane Raceway Park. This debt is serviced by the General Fund. An interim arbitrage calculation is complete through September 2, 2012 with no expectation of arbitrage liability.	14,870,000
$29,455,000 2011 Series B Limited Tax General Obligation Bonds due in annual installments of 140,000 to 4,400,000 through 2031, insterest of 3.00% to 5.00%. Proceeds from this issue were to refund a portion of 2003 Series A and Series C, finance an Emergency Communications System and Avista Stadium. This debt is financed by Fair & Expo (6%), Roads (3%), Sewer (6%), Communications (76%) and Retail Car Rental Tax (9%). Next annual arbitrage calculation in August 2014 with no expectation of arbitrage liability.	23,535,000
$32,010,000 2012 Limited Tax General Obligation and Refunding Bonds due in annual installments of 460,000 to 1,915,000 through 2043, interest of 3.00% to 5.00%. Proceeds from this issue were to finance a loan to Spokane Public Facilities District, partially refund 2003 Series A Limited Tax General Obligation and Refunding Bonds, partially refund 2003 Series C Limited Tax General Obligation Bonds and partially refund 2004 Series A Limited Tax General Obligation and Refunding Bonds. This debt is serviced by the General Fund (43%), County Road (6%), Sewer (13%) and Fairgrounds (38%). Arbitrage two-year exception date is December 2014 with no expectation of arbitrage liability.	31,010,000
Total General Obligation Debt	$ 165,578,511

Percentage of funding for debt is based on the original issuance amount or if partially refunded the remainder of debt outstanding.

B. The annual debt service requirements to maturity for general obligations bonds are as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2014	$ 10,519,594	$ 7,497,166	$ 18,016,760
2015	10,584,813	7,090,464	$ 17,675,277
2016	10,788,895	6,624,438	$ 17,413,332
2017	11,157,158	6,138,964	$ 17,296,122
2018	11,207,158	5,640,065	$ 16,847,223
2019-2023	39,610,790	22,115,173	$ 61,725,963
2024-2028	38,650,790	13,082,771	$ 51,733,561
2029-2033	26,569,314	4,426,350	$ 30,995,664
2034-2038	2,985,000	866,613	$ 3,851,613
2039-2043	3,505,000	349,050	$ 3,854,050
			$ -
Total	$ 165,578,511	$ 73,831,052	$ 239,409,563

C. Revenue Bond Debt

The County issues revenue bonds to provide funds for the construction of major capital facilities. Revenue bonds have been issued for business-type activities and are repaid from the applicable resources. The original amount of revenue bonds issued to date is $124,595,000.

Revenue bonds currently outstanding are as follows:

Description	Amount Outstanding
$33,465,000 2009A Revenue Bonds due in annual installments of 6,130,000 to 7,275,000 through 2019, interest from 3.5% to 5.0%. Proceeds are for the design, construction, and operation of the Spokane County Regional Water Reclamation Facility for wastewater treatment and production of reclaimed water. Interim arbitrage analysis complete through August 2012 with no expectation of arbitrage liability.	$ 33,465,000
$91,130,000 2009B Taxable Revenue Build America Bonds due in annual installments of 7,640,000 to 10,845,000 through 2029, interest from 5.494% to 6.474%. Proceeds are for the design, construction, and operation of the Spokane County Regional Water Reclamation Facility for wastewater treatment and production of reclaimed water. The debt is funded by Sewer Operation. Interim arbitrage analysis complete through August 2012 with no expectation of arbitrage liability.	91,130,000
Total Revenue Bond Debt	$ 124,595,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2014	$ -	7,145,663	$ 7,145,663
2015	6,130,000	7,145,663	13,275,663
2016	6,435,000	6,839,163	13,274,163
2017	6,695,000	6,581,763	13,276,763
2018	6,930,000	6,347,438	13,277,438
2019-2023	39,540,000	25,914,277	65,454,277
2024-2028	48,020,000	13,057,141	61,077,141
2029-2033	10,845,000	702,105	11,547,105
Total	$ 124,595,000	$ 73,733,214	$ 198,328,214

D. Component Unit

In accordance with GASB Statement 14 and amended by GASB Statement 39, Spokane County is reporting the component units of Moran Prairie Library District with an ending outstanding debt balance of $1,515,000 and Liberty Lake Transportation Benefit Area with an ending outstanding debt balance of $70,000. Spokane County is in no way financially responsible for this debt, but the Board of County Commissioners, while sitting on these individual boards, has a majority vote. Therefore, these districts become a component unit to the County.

E. Public Works Trust Fund Loans

The County also receives loans from other governments. The County has 6 public works trust fund loans to be repaid within 20 years in annual installments that range from $105,263 to $615,062 and will be financed by the County Road Fund, Sewer Enterprise Fund, and Water Reclamation Facilities Fund. Public works trust fund loans outstanding are as follows:

Description	Amount Outstanding
$2,500,000 1995 North Spokane Interceptor due in 2015, interest 1.00%. The project is to provide sanitary sewer interceptor service within developing areas of Spokane County to the north of the City of Spokane.	$ 268,092
$10,640,000 2003 Washington State Water Pollution Control Revolving Fund Loan due in 2022, interest rate 1.50%. Proceeds are to refinance certain obligations previously incurred to this note and outstanding for the construction of a sanitary sewage system to eliminate existing septic systems operating over the Spokane Rathdrum Prairie.	4,983,482
$8,371,168 2004 Washington State Water Pollution Control Revolving Fund Loan, bearing interest of 1.5%. Proceeds from the loan are used for the design and construction of a new Wastewater Treatment Plant. The Revolving Loan was finalized in 2009 with a final issue amount of $8,593,615.	6,800,721
$2,000,000 2005 Bigelow Gulch Forker Road, interest of .50%. The proceeds are to reconstruct 8.3 miles of roadway from Havana Street in the City of Spokane to the Sullivan Road and Wellesley Avenue intersection in the City of Spokane Valley through the unincorporated area of Spokane County.	1,263,158
$2,500,000 2009 Bigelow Gulch Project, interest of .50%. The proceeds are to reconstruct 8.3 miles of roadway from Havana Street in the City of Spokane to the Sullivan Road and Wellesley Avenue intersection in the City of Spokane Valley through the unincorporated area of Spokane County.	1,764,706
$400,000 2010 Community, Trade, and Economic Development Water Conveyance Loan, interest rate of .50%. The proceeds are to fund construction of the Water Reclamation Facility. The Loan was finalized in 2011 with a final issue amount of $557,078.	-
Total Public Works Trust Fund Loans	$ 15,080,158

Public Works Trust Fund Loan debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-type Activities	
Dec. 31,	Principal	Interest	Principal	Interest
2014	$ 252,322	$ 15,139	$ 1,095,519	$ 175,852
2015	252,322	13,878	1,109,995	160,035
2016	252,322	12,616	990,643	144,001
2017	252,322	11,354	1,005,559	129,085
2018	252,322	10,093	1,020,698	113,945
2019-2023	1,261,610	31,540	4,391,641	341,596
2024-2028	504,644	3,785	2,438,240	101,705
2029-2033	-	-		
Totals	$ 3,027,864	$ 98,406	$ 12,052,295	$ 1,166,219

F. Advance Refunding of Debt

In 2012 and prior years, the County defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of December 31, 2013, the amount of defeased debt outstanding was $ 4,415,000.

G. Legal Debt Margin

Under Washington State law (RCW 39.36.020), a County may incur general obligation debt for general County purposes, with or without a vote, in an amount not to exceed two and one-half percent of the value of all taxable property within the County. State law requires all property to be assessed at 100 percent of its true and fair value. The County is limited to a non-voted debt capacity of one and one-half percent and a voted debt capacity of two and one-half percent of the assessed valuation.

The debt margins available at December 31, 2013, were as follows:

Indebtedness for general purposes without a vote	$ 354,295,890
Indebtedness for general purposes with and without a vote	$ 726,695,839

NOTE 11 – LEASES

A. Operating Leases

The County is committed under various leases for buildings, office space and other equipment. Such leases are considered to be operating leases for accounting purposes. Lease expenditures for the year ended December 31, 2013 amounted to approximately $993,259 for Governmental Activities and zero for Business-type Activities.

The future minimum lease payments for these operating leases are:

Year Ended December 31,	Governmental Activities	Business-Type Activities
2014	$ 269,999	$ -
2015	198,181	-
2016	192,114	-
2017	177,359	-
2018	128,456	-
Total	$ 966,109	$ -

Capital Leases

The County has entered into lease agreements to finance copiers throughout the County. The County has also entered into lease agreements to rent land for the Spokane Regional Emergency Communication Systems. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-type Activities
Machinery and Equipment	$ 4,217,836	$ 10,334
Land	248,400	0
Less Accumulated Depreciation	(3,859,259)	(2,928)
Total	$ 606,976	$ 7,406

The following is a schedule of future minimum lease payments as of December 31, 2013:

Year Ending December 31	Governmental Activities	Business-type Activities
2014	$ 70,324	$ 2,067
2015	69,935	2,067
2016	59,197	2,067
2017-	247,602	1,205
Total Minimum Lease Payments	447,058	7,406
Less: Interest	-	-
Present Value of Minimum Lease Payments	$ 447,058	$ 7,406

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ending December 31, 2013, was as follows:

	December 31, 2012	Additions	Reductions	December 31, 2013	Due Within One Year
Governmental Activities:					
Bonds:					
General Obligation Bonds [2]	$ 61,624,480	$ -	$ (5,114,828)	$ 56,509,652	$ 5,604,594
Less: Amounts					
On Refunding	(315,113)		32,034	(283,079)	32,034
On Premium/(Discount)	4,548,472		(536,701)	4,011,771	536,701
Total Bonds Payable	65,857,839	-	(5,619,495)	60,238,344	6,173,329
Public Works Trust Fund Loan	3,280,186	-	(252,322)	3,027,864	252,322
Notes Payable	5,080,449	2,150,988	(3,314,653)	3,916,785	920,972
Capital Leases	430,405	99,840	(83,192)	447,053	70,324
OPEB Liability	4,210,501	771,223	-	4,981,724	-
IBNR Liability [1]	13,498,752	89,200	(2,441,050)	11,146,902	5,226,956
LT Accrued Interest	796,111	831,838	(796,111)	831,838	815,194
Compensated Absences [3]	9,657,959	902,922	(152,975)	10,407,906	-
Total Governmental Activities	$ 102,812,202	$ 4,846,011	$ (12,659,797)	$ 94,998,416	$ 13,459,097
Business-Type Activities:					
Bonds:					
Revenue Bonds	$ 124,595,000	$ -	$ -	$ 124,595,000	$ -
General Obligation Bonds	115,868,859	-	(5,215,000)	110,653,859	5,120,000
Less: Amounts					
On Refunding	(1,176,576)		221,360	(955,216)	96,570
On Premium/(Discount)	9,713,948	8,588	(804,558)	8,917,978	795,970
Total Bonds Payable	249,001,231	8,588	(5,798,198)	243,211,621	6,012,540
Public Works Trust Fund Loan	13,319,244	-	(1,266,950)	12,052,294	1,095,519
Landfill Closure Liability	25,626,941	-	(590,753)	25,036,188	-
Capital Leases	9,473		(2,067)	7,406	2,067
Compensated Absences	676,963	150,957	(12,332)	815,588	-
Total Business-Type Activities	$ 288,633,852	$ 159,545	$ (7,670,300)	$ 281,123,097	$ 7,110,126

[1] Short-term IBNR included in Accounts and Vouchers Payable on the Statement of Net Position
[2] Includes 2013 Ending Balance for Component Unit Debt
[3] Do w ithin one year not provided for Compensated Absences

NOTE 13 - CONTINGENCIES AND LITIGATION

A. Contingent Liabilities

Self-Insurance Liabilities

The County has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved. The estimates are based on available information, which management believes it is probable that the County will have to make payment. In the opinion of management, the County’s self-insurance reserves are adequate to pay all known or pending claims. Further detail is described in Note 8- Risk Management.

Federal and State Assistance Liabilities

The County participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Other than instances described in Note 3- Stewardship, Compliance, and Accountability, and as described under the “Bigelow Gulch Road Project Right of Way” caption below, County management believes that such disallowances, if any, will be immaterial, or there are adequate reserves in the General Fund to satisfy any disallowances.

Pollution Remediation Sites

The County, through the Spokane County Engineer, acquired a parcel of property located at 1318 N. Maple (the “Site”) on January 20, 2000. The Site was previously owned by W.R. Grace. The County had entered into the voluntary Cleanup Program with the Department of Ecology (“DOE”) to remediate the Site. In March 2009 the County was notified by the United States Environmental Protection Agency (“EPA”) that it was assuming oversight of the remediation of the Site under CERCLA commonly known as the federal Superfund Law. Remediation of the Site had previously, under the Voluntary Cleanup Program, been divided into two phases. Phase I was completed in 2007 and consisted of site preparation, grading, placement of clean fill, fabric and paving of the western portion of the site. Phase II was scheduled to begin in 2009 and would have consisted of site characterization and remediation of the eastern portion of the site. As a result of EPA assuming oversight of the remediation of the Site, Phase II has been put on hold while EPA and the County engage in negotiations to remediate the site. In March 2011 EPA advised the County that no additional remediation would be required. The EPA does want to be reimbursed for their oversight activities in an amount approximating $100,000. To date no reimbursement has been made. The County is presently negotiating a Consent Decree regarding the Site with EPA and Restrictive Covenants with regard to the Site with DOE. Once executed and processed, the documents will enable the County to potentially sell portions of the Site. Additionally the Consent Decree will fix the County’s liability for remediation of asbestos at the Site under CERCLA. All expenditures relating to the Site are being absorbed by the Equipment Rental and Revolving Fund.

The County acquired a 198 acre parcel of property on April 10, 2008, commonly referred to as Spokane County Motorsports Park (“Site”) in a receivership proceeding (Spokane County Superior Court Cause No. 03-2-06856-4). Under the terms of the Purchase and Sale Agreement the Receiver was responsible for cleanup of trichloroethane (“TCE”) at the Site which was initially identified in one well. The County was responsible for cleanup of other contaminates at the site other than the TCE. The County and Receiver entered into a Settlement Agreement and Mutual Release which was approved by the Court under the Receivership proceedings. Under the Settlement Agreement and Mutual Release, the County received $350,000 to remediate any contamination on the Site in exchange for the County releasing the Receiver from any responsibility to remediate TCE at the Site. Cost estimates to remediate any contamination at the Site are not estimated to be more than $350,000 at this time. Any costs in excess of the $350,000 will be borne by the County's General Fund or financed in another manner.

In addition to the above, Spokane County may incur a potential liability if any of these events were to occur:

- The County's landfills are closed and no longer accepting waste. However, the federal or state government could impose greater pollution remediation at their discretion. See note 20 for further information on the County's landfills and landfill closure.

- Until November 16, 2014, the County is obligated to deliver solid waste to the Waste-to-Energy Facility in an amount equal in volume to the solid waste it represented it can control, within certain interlocal agreements between the County and City of Spokane, or to pay the economic value of such non-delivered solid waste, provided the System is operating at a reduced capacity. This obligation could occur if all or part of the County's Flow Control Ordinance is declared to be invalid by a Court of competent jurisdiction and, in fact, if the volume of solid waste delivered to the site is less than guaranteed. In computing the County's obligation to deliver or pay the economic equivalent of non-delivered solid waste, the County will get credit for all solid waste delivered to the System other than Solid Waste delivered by the City of Spokane and Regional cities, or from others who reside within the City of Spokane or the Regional cities but manage their own garbage. The County's obligation to provide solid waste or money equal to the economic value of non-delivered solid waste is a general obligation. It is impossible to make an estimate of possible loss or range of loss in the event that the flow control ordinance is found unconstitutional due to various contingencies.

Bigelow Gulch Road Project Right of Way

Spokane County ("County"), Federal Highway Administration ("FHWA") and Washington State Department of Transportation ("WSDOT") (the "Parties) engaged in discussions/negotiations regarding right of way acquisition issues in conjunction with the Bigelow Gulch/Forker Corridor ("Project"). Such discussions/negotiations resulted in a Memorandum of Agreement ("MOA") executed by Spokane County on January 11, 2012.

The Project involves the modification of an 8.26-mile section of Bigelow Gulch Road and Forker Road in Spokane County. The Project includes the widening of approximately 5.80 miles of existing roadways and construction of 2.47 miles of new roadway. The Project involves six construction phases. The County has completed the acquisition and relocation activities for Phase 1 of the Project and it has been constructed. The County performed certain acquisition and relocation activities for Phases 2 through 6 of the Project. FHWA has not yet authorized construction in Phases 2 through 6.

The discussion/negotiations among the Parties with regard to the Project involved (1) Remediation actions, and (2) Reimbursement actions.

To date the County has agreed in the MOA to undertake remediation actions in conjunction with property acquisitions for the Project. Remediation actions include, but are not limited to, addressing deficiencies in the property acquisition program for the Project as well as staff training. It is estimated that the range of the cost to the County for the remediation actions is $350,000 to $870,000. In conjunction with the remediation actions, on August 14, 2012 the County entered into an agreement with WSDOT wherein it will provide land acquisition, relocation and related services to the County in conjunction with the remediation actions. Staff training took place in July 2012. In February 2014, the

County, WSDOT and FHWA executed a subsequent agreement wherein FHWA acknowledged that the work being performed under the MOA in conjunction with the Project were being performed sufficiently and are near completion, and as such it would reinstate the Project so that certain costs in conjunction with the Project, to include preparation of the NEPA re-evaluation, could become eligible for federal participation. Any financial obligation for remediation actions will be born solely and entirely by the Spokane County Road Fund. To date there are sufficient reserves within the Spokane County Road Fund to cover all ultimately agreed to Remediation actions.

In addition to the remediation actions, the Parties have determined that Spokane County would reimburse WSDOT $689,011.95. This reimbursement was transmitted to WSDOT in September 2012.

Weed Control Tax Lawsuit

A civil suit was filed against Spokane County in May 2014 claiming that weed control taxes were improperly taxed over the last decade. The suit states that City of Spokane Valley and City of Liberty Lake property owners were improperly assessed since the incorporation of both cities more than $1 million for noxious weed enforcement and a full refund of these taxes is being sought. The County's Risk Management has sent the lawsuit to an outside attorney for review before deciding how to proceed.

NOTE 14- RESTRICTED NET POSITION

The government-wide Statement of Net Position reports $122,332,404 of restricted net position, of which $44,916,984 is restricted by enabling legislation.

NOTE 15 - INTERFUND BALANCES AND TRANSFERS

Interfund transfers represent subsidies and contributions provided to operating funds and capital project funds with no corresponding debt or promise to repay. General fund transfers are usually made to subsidize other operating activities and capital projects. Transfers out of major funds, non-major governmental funds and non-major enterprise funds generally represent debt service, cost allocation and capital project funding.

Interfund transfers occurring between individual major funds, non-major governmental, non-major enterprise, and internal service funds of the County during the year ended December 31, 2013, are as follows:

	Fund Level Financial Statements		Entity-wide for Asset Transfers		Elimination
Governmental Activities	Transfers In	Transfers Out	Transfers In	Transfers Out	Net Balance
General Fund	$ (2,538,522)	$ 2,522,394		$ 197,429	181,301
Road Fund	(253,053)	31,268			(221,785)
Mental Health	-	1,697,679			1,697,679
Non-Major Governmental	(5,904,345)	7,260,693			1,356,347
Internal Services	(513,532)	38,365	-		(475,168)
Total Governmental Activities	(9,209,453)	11,550,398	-	197,429	2,538,374
Business-Type Activities					
Sewer Fund	(500,300)	26,051	-		(474,249)
Non-Major Enterprise	(2,811,189)	944,493	(197,429)		(2,064,125)
Total Business-Type Activites	(3,311,489)	970,543	(197,429)	-	(2,538,374)
Total Interfund Transfers	$ (12,520,942)	$ 12,520,942	$ (197,429)	$ 197,429	$ (0)

The composition of interfund balances at December 31, 2013 was as follows:

Governmental Activities	Due From Other Funds	Due To Other Funds	Elimination Net Balance
General Fund	$ 2,552,760	$ (2,847,418)	$ (294,658)
Road Fund	146,921	(876,984)	(730,062)
Mental Health	6,777	(582,320)	(575,543)
Non-major Governmental	581,209	(1,358,027)	(776,818)
Internal Service Funds	3,197,141	(327,536)	2,869,605
Total Governmental Activities	6,484,809	(5,992,285)	492,524
Cumulative Effect of Internal Service Fund Activity from Note 2			587,916
			1,080,440
Business-type Activities			
Sewer Fund	-	(183,505)	(183,505)
Non-major Enterprise	95,221	(404,241)	(309,020)
Total Business-type Activities	95,221	(587,745)	(492,524)
Cumulative Effect of Internal Service Fund Activity from Note 2			(587,916)
			(1,080,440)
Total Interfund Balances	$ 6,580,031	$ (6,580,031)	$ -

These interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship.

Per the financial statements, the Due from Other Funds balance for the General Fund is reported as $10,684,293. Due to Other Funds balance for Other Governmental Funds is reported as $9,488,027. Of these amounts, $8,130,000 is a loan between the General Fund and the Health Sciences and Services Authority which is a component unit report in Fund 199. The remaining balances of $2,554,293 and

$1,358,027 are the actual due from/to other funds for the General Fund and Other Governmental Funds respectively.

NOTE 16 – RECEIVABLES

Receivables as of December 31, 2013 for the County's governmental activities major funds, aggregate non-major funds, internal service funds, enterprise major funds and aggregate non-major funds, including the applicable allowance for uncollectible accounts, are shown in the following table:

	Taxes	Accounts	Special Assessments	Interest	Other	Total	Due From Other Governments
Governmental activities:							
General Fund	$1,953,978	$ 499,750	$ -	$ 18,110	$ 385,672	$ 2,857,510	$ 14,626,320
Road Fund	751,402	33,984	-	2,741	47,883	836,010	4,880,959
Mental Health	19,275	-	-	17,073	-	36,348	1,848,170
Nonmajor Governmental	164,471	138,835	10,458	29,855	66,424	410,044	6,337,379
Internal Service	-	8,275	-	24,028	346,880	379,183	1,097,821
	2,889,127	680,845	10,458	91,806	846,860	4,519,096	28,790,648
Business-type activities:							
Sewer Fund	-	818,700	3,789,566	89,428	350,043	5,047,737	245,090
Nonmajor Enterprise	-	100,186	-	21,101	122,786	244,072	121,794
	-	918,886	3,789,566	110,529	472,829	5,291,809	366,884
Total receivables	$2,889,127	$1,599,730	$ 3,800,024	$ 202,335	$1,319,688	$ 9,810,904	$ 29,157,533

Governmental activities:		
Total Fund Level Receivables	4,519,096	28,790,648
Balance of Entity-wide Accruals	1,010,708	-
Total Entity-wide Receivables for Governmental Activities	$ 5,529,804	$ 28,790,648

NOTE 17 - JOINT VENTURES

The County participates in three joint ventures. The County does not have any explicit, measurable equity interest in the joint ventures nor do they contribute any monies toward the operation of the Spokane International Airport. Current Expense Fund monies are contributed to the support of the Spokane Regional Health District, and County Road Fund monies are contributed to the support of the Spokane Regional Transportation Council. In 2013, the County paid $2,698,207 to the Spokane Regional Health District and $56,820 to the Spokane Regional Transportation Council.

A. Spokane International Airport

Spokane International Airport is jointly owned and operated by the City and County of Spokane through a joint operating agreement in accordance with the "Airport Joint Operating Agreement", adopted June 30, 1962 and amended February 2, 2010. This agreement is pursuant to RCW 14.08.200 with a proportionate interest ownership of 50% by both municipalities.

The summary below is from the Airport's unaudited comprehensive annual financial report for the fiscal year ended December 31, 2013.

Total Assets	$ 313,877,563
Total Liabilities	39,834,829
Total Net Position	274,042,734
Operating Revenues	27,469,804
Operating Expenses	39,038,233
Operating Income (Loss)	(11,568,429)
Nonoperating Revenues (Expenditures)	8,414,235
Capital Contributions	10,476,583
Increase in Net Position	7,322,389
Net Position, Beginning of Year	266,720,345
Net Position, End of Year	$ 274,042,734

At December 31, 2013, the Airport had $13,839,985 in long-term revenue bonds outstanding with $3,007,479 due in 2014. The bonds are secured by airport revenues. Airport revenues are derived through user fees, parking fees, leased areas and buildings, federal and state grants, and interest from investments. Other long-term debt payable at year end totaled $6,950,446.

The Spokane Airport Board administers the operations of the airport and is composed of seven members. Three members are appointed by the County, three by the City and one jointly appointed by the County and the City. The County 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.

B. Spokane Regional Health District

The Spokane Regional Health District includes the City of Spokane, the City of Spokane Valley, the unincorporated areas of the County and the incorporated small towns within the County's borders. The Spokane County Health Board, which governs the district, is composed of three Spokane County Commissioners, three members of the Spokane City Council, two members of the Spokane Valley City Council, one elected official representing the small cities within the County, and three non-voting at-large citizen members.

The Board consists entirely of elected officials, as specified by state law, the County does not exercise any specific control over the budgeting and financing of Health District activities. The proportionate ownership interest of the participants in the Health District is based on population and assessed valuation.

The summary below is from the District's unaudited annual report for the fiscal year ended December 31, 2013.

Total Assets	$ 10,535,345
Total Liabilities	1,752,796
Total Net Position	8,782,549
Total Revenues	22,369,980
Total Expenses	20,310,177
Increase in Net Position	$ 2,059,803

At December 31, 2013, the Health District had no long-term debt. Separate financial information can be obtained from the Spokane Regional Health District.

C. Spokane Regional Transportation Council

The Spokane Regional Transportation Council operates under a charter adopted by participating entities that include Spokane County, the City of Spokane and the incorporated towns within the County. In 1965, the Washington State Legislature created the current statutory authority, that provides for coordinated regional planning within the State.

The Council operated under a twelve-member board consisting of: one person representing Spokane Transit Authority; one person representing Spokane Airport Board; one elected official from a small town to represent jurisdictions with populations fewer than 5000; one elected official from a small town to represent jurisdictions with populations between 5001 and 50,000; one elected official from each respective governing body with a population between 50,001 and 100,000; two elected officials from each respective governing body with a population over 100,001; two State Transportation representatives, one from the Washington State Department of Transportation appointed by the Secretary of Transportation and one from the Washington State Transportation Commission appointed by the Chair of the Commission; one person representing a major employer, with preference for a provider of private sector transportation services within the region; the Chair of SRTC's Transportation Advisory Committee; and one representative of the rail industry. The board selects management of the Council, who controls collection and disbursement of funds. The summary below is from the Council's unaudited annual report for the fiscal year ended December 31, 2013.

Total Assets	$ 323,883
Total Liabilities	323,883
Total Net Position	-
Total Revenues	1,337,964
Total Expenses	1,198,204
Increase in Net Position	$ 139,760

At December 31, 2013, the Spokane Regional Transportation Council had outstanding general obligation long-term debt of $152,536,287 with $9,700,000 due in 2014. The complete financial report may be obtained by contacting the Spokane Regional Transportation Council.

NOTE 18 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

Plan Description

Under Revised Code of Washington (RCW) Chapter 41.16, all medical, hospital and nursing care, as long as a disability exists, are covered for any active member hired prior to March 1, 1970. For any retired member hired prior to March 1, 1970, medical, hospital, and nursing care are covered at the discretion of the Retirement Board. Members retired prior to 1961 for reasons other than duty disability are not eligible for medical benefits during retirement.

In 1970, the Law Enforcement Officer's and Fire Fighter's (LEOFF) retirement system was established by the Legislature under RCW 41.26. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. For Plan 1 members, the necessary hospital, medical, and nursing care expenses not payable by worker's compensation, Social Security, etc, are covered.

Spokane County has a sole employer plan to service LEOFF post-employment medical benefits. This plan is run through the County's self-insurance medical fund. Information on this plan is included in the County's Comprehensive Annual Financial Report and can be obtained through the Spokane County Auditor's Office at 1116 West Broadway Avenue, Spokane, WA 99260.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

Annual OPEB Costs and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 26 years as of January 1, 2011.

The following table shows the components of the County's annual OPEB cost for the year ended December 31, 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for LEOFF.

Annual Required Contribution (ARC)	$ 2,322,335
Interest on Net OPEB Obligation	168,420
Adjustment to ARC	(265,532)
Annual OPEB Costs (Expense)	2,225,223
Contributions Made	1,454,000
Increase in Net OPEB Obligation	771,223
Net OPEB Obligation - beginning of year	4,210,501
Net OPEB Obligation - end of year	$ 4,981,724

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011, 2012, and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Costs Contributed	Net OPEB Obligation
12/31/2010	2,274,172	56.0%	2,637,474
12/31/2011	2,269,161	64.0%	3,455,635
12/31/2012	2,247,866	66.0%	4,210,501
12/31/2013	2,225,223	65.0%	4,981,724

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for the benefits was $35.6 million, and the actuarial value of assets was $0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $35.6 million. Covered Payroll for 2011 was $101,882, yielding a ratio of UAAL to covered payroll of 34958%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based in the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 4% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The actuarial valuation also assumes a healthcare costs trend rate of 7.8% for 2011.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortized period at January 1, 2011 was 26 years.

NOTE 19 - CLOSURE AND POSTCLOSURE CARE COST

A. Landfill Closure

Background
In October and August 1983 and August 1985, the United States Environmental Protection Agency (EPA) placed the County's Greenacres, Colbert and Mica landfill sites on its national priorities (Superfund) list pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). The EPA's national priorities list identifies to the states and the public those disposal facilities and sites that may warrant remedial actions, and sets priorities for future investigations and potential cleanup. The County, under the direction of the EPA and the Washington State Department of Ecology, has undertaken studies, initiated cleanup activities, and completed cover construction at all three landfill sites.

In March 1972, October 1986, and December 1991, the County ceased waste disposal operations at Greenacres, Colbert, and Mica landfills, respectively.

Mica Landfill
A remedial investigation (RI) study was completed in 1992. This included installing 30 monitoring wells, five leachate piezometers, and six gas probes. After numerous rounds of sampling followed by laboratory analysis and geophysics, a final report was submitted, which detailed the site characteristics and a risk analysis. The County, with the help of a 50% State grant, has constructed a cover system over the landfill. The cover area encompasses 62 acres and included placement of two impermeable liners and both leachate and passive gas collection systems. The cost of the cover was $12 million. In 1997, a gravity sewer line was constructed to route collected leachate from the landfill site to the public sewer system for treatment and disposal. The Department of Ecology performed five-year reviews for 2007 and 2012. As a result of each review, additional remedial measures were not required. Routine operation and maintenance activities are ongoing. Landfill gas and groundwater are monitored in accordance with an approved sampling and analysis plan.

Greenacres Landfill
A remedial investigation/feasibility study (RIFS) was completed in 1989. In 1997, the County and the Department of Ecology entered into a consent decree providing for design and construction of a landfill cover system. The cover system was constructed in 1998 with only minor warranty items completed in 1999. The state provided up to 50% of the funding for this project in the amount of $2.85 million. As part of the cover construction, an active gas collection system and flaring station were installed. In 2008, a

biofilter was approved and constructed to better control emissions and odors. The flaring station remains as a backup control. A five-year review for the Greenacres Landfill was performed by the Department of Ecology in 2012. No additional measures were required as a result of the review. Routine operation and maintenance activities are ongoing. Landfill gas and groundwater are monitored in accordance with an approved sampling and analysis plan.

Colbert Landfill

The RIFS was completed for Colbert in 1987. As a result of the consent decree, it was agreed that the remedial action would consist of a groundwater pump and treatment system. Design of the treatment facility and evaluation of the aquifer pumping characteristics was completed in 1993. Construction is complete and the system has been on line and operating since June, 1994. The overall system involves pumping groundwater from a series of extraction wells, some in the interior and others located along the leading edge of the contaminant plume. The water is treated and contaminants removed as it passes through an air-stripping tower. The clean groundwater is then tested and discharged into the Little Spokane River. As a result of the contamination, two aquifers in the general vicinity of the landfill have been impacted. In addition to the treatment, monitoring and testing of the groundwater, and modeling of the aquifers and contaminant migration are ongoing. A third five-year review was conducted in 2004 by the Department of Ecology and EPA. As a result of that review, additional monitoring was added and the list of constituents of concern expanded to include 1.4-Dioxane. The total cost of the project including studies, design and construction was approximately $10 million. The plant is expected to operate over the next 20 to 30 years, with operating and maintenance costs projected to be in the $15 to $17 million range. In 2009, the EPA conducted a fourth five-year review which recommends that a Remedial Site Evaluation (RSE) be conducted to evaluate the effectiveness of the cleanup program and to look for cost saving adjustments. The RSE was conducted in 2010 and concluded that the pump and treat system may have achieved what is technically feasible with regard to clean up levels and may no longer add to the overall protectiveness of the remedial action. Therefore, a shutdown test of the pump and treat system was deemed appropriate, along with increased monitoring, to determine the necessity of future pump and treat operations. A final proposal of a shutdown plan was submitted and subsequently approved by the EPA and the Washington State Department of Ecology. Installation of a new groundwater monitoring well requested by the EPA to be installed for use in the shutdown plan monitoring program was completed in August 2013.

Marshall Landfill

The County-owned portion of the Marshall Landfill has not been in operation since the early 1970's. At some point in the future the County will be required to construct a cover system. Estimated covering and monitoring costs are factored into the liability for post-closure care.

Costs

As of December 31, 2013, the County updated estimates of the amount required to pay for closure, cleanup, remedial actions and monitoring at the County's four landfill sites. The County estimated these costs to be approximately $25,036,188. This estimate is subject to change due to changes in technology, inflation, deflation, or applicable laws or regulations.

Funding Sources

The Spokane County Board of Commissioners and the Spokane City Council approved an interlocal agreement on November 3, 1987. This agreement required future tipping established at the Waste-to-Energy Facility and the System transfer stations to have a landfill closure component. This provided a source of revenue to the County and the City for the payment of preexisting landfill costs incurred after January 1, 1984.

In order to provide funds for the closure, post-closure and remedial actions of the County's pre-existing landfills, the City agreed in the interlocal agreement to provide to the County an amount not to exceed $20,000,000. All of this $20,000,000 was spent by December 31, 1995. The remaining estimated $25,036,188 landfill liability will be funded by grants, insurance settlements, and payments from potentially liable parties.

The City provided funding through the issuance of Series 1989 Bonds and Series 1992 Bonds. Proceeds of the Series 1989 Bonds in the amount of $8,000,000 and proceeds of the Series 1992 bonds in the amount of $12,000,000 were paid in accordance with the interlocal agreement. Revenues derived from the Landfill Closure Component and allocable to the County were applied to the payment of debt service on Series 1989 Bonds and Series 1992 Bonds to the extent requested by the County.

The Series 1989 Bonds and Series 1992 Bonds were refunded in December of 2011. With the bonds refunded, there is no longer a landfill closure component included in the tipping fees.

B. County-City Interlocal Agreements

The County and the City of Spokane entered into several interlocal agreements to provide the framework for the management, handling, and disposal of solid waste within the service area consisting of the City, the unincorporated areas of the County, and the regional cities. All interlocal agreements for the management of regional solid waste between Spokane County, the City of Spokane, Spokane Valley, and the regional cities are set to expire on November 16, 2014. A new interlocal agreement between Spokane County and the City of Spokane will go into effect on November 17, 2014. Under that agreement Spokane County will take over operation of the Regional Solid Waste System and ownership of the two system transfer stations. Also in 2014, Spokane County will conduct a rate study to establish gate fees at the transfer stations. It is anticipated that the gate fee will contain a long-term landfill closure component to help fund operation and maintenance activities at the closed landfill facilities.

NOTE 20 – SOLID WASTE ACQUISITION

SOLID WASTE

On November 17, 2014 the County will take over the management of the Regional Solid Waste System and will take ownership of the Valley and Colbert Transfer Stations. The County will start operating the Transfer Station Facilities through a private contract, and will provide all required regional solid waste system services. There have been start-up costs associated with the transition of system management from the City of Spokane to the County. Fund 435 has an interfund loan from 401 to cover these costs. With no current income to offset the startup costs being incurred, the fund is in a negative equity position. It is anticipated that the negative equity will be eliminated through (1) Transfer Station Facilities gate fee revenues and/or (2) proceeds from a future bond sale.

NOTE 21 – POLLUTION REMEDIATION OBLIGATIONS

In accordance with GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations", the County is required to disclose information when it becomes probable that a pollution event has occurred and the County could be responsible for cleanup.

The County owns two sites where pollution has been detected, 1318 North Maple (Wilbert Vault) and 750 North Hayford Road (Spokane Raceway Park). The County has begun remediation efforts on Wilbert Vault and Phase 1 was completed in 2007. Phase 2 was scheduled to begin in 2009, but was put on hold while the Environmental Protection Agency (EPA) and Spokane County negotiate the remediation. Costs at this time are unknown. With regards to Spokane Raceway Park, contaminates have been detected and the County will be responsible in part for remediation, but at this time it is undeterminable how much remediation Spokane County will be required to perform and how much it will cost. See Note 13- Contingencies and Litigations for more details on the status of both sites.

NOTE 22 – Prior Period Adjustments

Fund Level and Entity-wide

Fund 405- Golf: In 2011, several assets were transferred from vehicles to equipment. In order to accommodate the transfer, the system did a negative depreciation expense on the vehicles and a positive depreciation expense on the equipment. This netted to zero. However, the positive expense was not seen in 2011. It was deduced that the system did not handle the transfer appropriately, and the amount was added to the accumulated depreciation along with a note that a system error was made. As a result, in 2011, depreciation expense and accumulated depreciation was overstated by $333,405. This was caught in fund review. In order to correct the error, accumulated depreciation was reduced, and net position was increased.

Fund 131- Housing and Community Development: In 2004, the County received a special allocation of $500,000 under the Home Investment Partnership Program from HUD. The County used these funds for the Martindale apartment project, which provides housing for chronically homeless individuals. Upon review from HUD, it was determined that the County did not use the special allocation funds in accordance with the CFRs. It then ordered the County to either repay the $500,000 and replace the Martindale Apartment project with an eligible CHDO Chronically Homeless project or repay the $500,000 directly to HUD. In 2008, the Martindale Apartments were sold in a foreclosure auction to the Spokane Housing Authority. At that time, the Martindale note was written off. The County requested to use monies collected under SHB 2060 to repay the HOME Investment Partnership Program directly to HUD. $500,000 was moved out of fund 123 and into fund 131, and a payable was established to repay the Home Investment Partnership Program. This in essence doubled the expense at this time. In 2009, the County received approval from HUD to let the County invest the funds in a new project that would meet the HOME program requirements. This funding of this new Birchtree replacement project went on through 2011. The Birchtree project was recorded as a Note Receivable in the County's loan system. However, since this was a replacement property and funds paid for the project paid off the existing payable to the HOME Investment Partnership Program, the note receivable was never adjusted in the financial statements. This was caught in the loan reconciliation review. In order to correct the error, loan receivable was increased by $494,661 and net position was increased.

Funds 401/405/407/434 – GASB65 (Items Previously Recorded as Assets and Liabilities) was implemented in 2013. This GASB changed the treatment of debt issuance costs and loan origination fees. In prior standards, these were amortized over the remaining life of the debt. GASB65 states that debt issuance costs and loan origination fees should be recognized as an expense in the period incurred.

As such the following remaining unamortized costs and fees were written off as a prior period adjustment.

Debt Issuance Costs

Proprietary Funds		Entity Wide	
Fund	Amount	Fund	Amount
400	1,929,009	010	792,685
405	88,831		
407	168,801		
	2,186,641		792,685

Loan Origination Fees

Proprietary Funds		Entity Wide	
Fund	Amount	Fund	Amount
407	2,147,317		

Total Increase (Decrease) To Net Position

Proprietary Funds	Entity Wide
(39,324)	(792,685)

There were no other prior period adjustments recorded in 2013.

NOTE 23 – Accounting and Reporting Changes

In 2013, the County implemented three new Governmental Accounting Standards Board pronouncements; GASB Statements 61, 65 and 66.

Statement No. 61, "The Financial Reporting Entity: Omnibus" amended GASB 14 and 34, and clarified and modified the rules for inclusion of component units in the financial reporting entity. Based on the new rules, an analysis was done of the four component units of the County as well as the three governmental joint ventures. There were no changes in the result of the analysis, and as such, this statement had no impact on the financial operations or reporting of the County.

The County also implemented Statement No. 65, "Items Previously Reported as Assets and Liabilities" which resulted in classifying certain items as deferred outflows of resources or deferred inflows of resources that were previously reported as either assets or liabilities. It also recognized as deferred inflows revenue that is not available.

On current and advance refundings of debt, the County is now required to report the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow of resources or a deferred inflow of resources. It should be recognized as a component of interest

expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. This amount used to be classified in the total carrying amount of debt in the financial statements.
Debt issuance costs used to be amortized over the life of the debt. With the implementation of GASB 65, debt issuance costs, excluding prepaid insurance, are now expensed in the period incurred. Since the County had carrying value on prior debt issuance costs, it was necessary to do a prior period adjustment for these amounts. These resulted in a $2.2 million decrease to net position in the business type activities and a $793 thousand decrease to net position in governmental activities.

Offsetting this decrease to net position was an increase of $2.1 million in net position in the business type activities. GASB 65 requires that loan origination fees and costs be recognized as revenue or expense in the period the loan is originated. Prior to the implementation of GASB 65, these fees and costs were amortized over the life of the loan. As a result, a prior period adjustment was done for the carrying amounts.

Revenue recognition for Governmental Funds was also addressed in GASB 65. Revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available. GASB 65 states that when the revenue is not available, it should be reported as a deferred inflow of resources until such time as it becomes available. This change was also addressed in the County's financial statements for 2013.

Statement No. 66, "Technical Corrections" resolved conflicting guidance on previously issued standards. This statement was reviewed, and it had no impact on the financial operations or financial reporting of the County.

NOTE 24 – Other Disclosures

A. Violation of Finance-Related Legal or Contractual Provisions

There have been no other material violations of finance related legal or contractual provisions.

B. Deficit Fund Equity

As of December 31, 2013, two funds were reporting deficit balance; there were no major funds with deficit fund balance. For further explanation, see notes 19 and 20.

Fund	Deficit
404 - Utilities Landfill Closure	$16,245,599
435 – Solid Waste	92,770

Spokane County, Washington
Budgetary Comparison Schedule
GENERAL FUND
For the Year Ended December 31, 2013

	Original 2013 Budget	Final 2013 Budget	2013 Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	83,918,719	80,360,149	81,439,390	1,079,241
Licenses and Permits	1,856,350	1,111,050	1,148,731	37,681
Intergovernmental	45,356,774	24,465,112	20,264,737	(4,200,375)
Charges for Services	10,124,262	34,065,074	33,416,835	(648,239)
Fines and Forfeits	3,355,906	7,197,906	6,834,868	(363,038)
Interest	860,925	860,925	1,184,556	323,631
Special Assessments	-	-	-	-
Contributions and Donations	293,914	290,114	189,671	(100,443)
Other Miscellaneous Revenues	7,579,572	7,472,303	1,234,130	(6,238,173)
Total Revenues	153,346,422	155,822,633	145,712,918	(10,109,715)
EXPENDITURES				
Current:				
General Government	42,375,695	49,242,441	41,982,138	7,260,303
Judicial	21,601,777	14,887,912	13,835,835	1,052,077
Public Safety	79,556,222	80,877,370	77,026,624	3,850,746
Physical Environment	1,625,180	200,169	232,138	(31,969)
Transportation	10,000	15,272	15,268	4
Economic Environment	181,871	470,889	437,235	33,654
Health and Human Services	4,449,684	4,465,990	4,289,037	176,953
Culture and Recreation	2,580,226	2,632,857	2,471,800	161,057
Debt Service:				
Principal Outlay	1,883,667	4,124,623	4,118,874	5,749
Interest Expenditure	637,898	1,333,662	1,332,052	1,610
Capital Outlay	711,130	4,483,461	4,578,692	(95,231)
Total Expenditures	155,613,350	162,734,646	150,319,694	12,414,952
Excess (Deficiency) of Revenues Over Expenditures	(2,266,928)	(6,912,013)	(4,606,776)	2,305,237
OTHER FINANCING SOURCES (USES)				
Transfer - In	3,576,812	4,788,769	2,582,781	(2,205,988)
Transfer - Out	(2,652,163)	(2,911,982)	(2,582,267)	329,715
General Long-Term Debt Issuance	180,000	339,938	339,937	(1)
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Issuance Costs	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Payment on Bond Refunding	-	-	-	-
Capital Leases	-	-	65,291	65,291
Disposition of Capital Asssets	-	7,877	1,820,056	1,812,179
Total Other Financing Sources and (Uses)	1,104,649	2,224,602	2,225,799	1,197
Net Change in Fund Balance	(1,162,279)	(4,687,411)	(2,380,977)	2,306,434
Fund balances, January 1	13,190,389	14,081,154	44,078,148	29,996,994
Prior Period Adjustments			180,337	180,337
Restated Fund Balance	13,190,389	14,081,154	44,258,486	30,177,332
Fund balances, December 31	12,028,110	9,393,743	41,877,509	32,483,766

Reconciliation of Net Change in Fund Balance (Budgetary Basis) to Net Change in Fund Balance (GAAP Basis)

Net Change in Fund Balance (Budgetary Basis)	**(2,380,977)**
Budgetary resources from Intergovernmental sources, not a current year revenue for financial reporting purposes	(5,742,679)
Budgetary resources from Gifts and Donations, not a current year revenue for financial reporting purposes	(140,168)
Budgetary resources from Transfers In, not a current year revenue for financial reporting purposes	(44,259)
Budgetary uses for General Government expenditures, not a current year expenditure for financial reporting purposes	435,864
Budgetary uses for Judicial expenditures, not a current year expenditure for financial reporting purposes	448,379
Budgetary uses for Public Safety, not a current year expenditure for financial reporting purposes	5,183,465
Budgetary uses for Physical Environment expenditures, not a current year expenditure for financial reporting purposes	186,100
Budgetary uses for Health and Human Services, not a current year expenditure for financial reporting purposes	44,259
Budgetary uses for Culture and Recreation, not a current year expenditure for financial reporting purposes	53,078
Budgetary uses for Capital Outlay, not a current year expenditure for financial reporting purposes	371,747
Budgetary uses for Transfers Out, not a current year expenditure for financial reporting purposes	58,604
Net Change in Fund Balance (GAAP Basis)	**(1,526,586)**

Note to Schedule: Budgetary Basis
Resources provided by state, federal or local sources are budgeted on the continuous appropriation method of budgeting. These grants and resources are awarded covering a time period different form the County's annual budget cycle. State and federal grants have periods of availability that can extend up to five years. Therefore, these budgets are not included in the County wide annual budget. They are appropriated at the time they are awarded with the maximum dollar amount to be expended approved per resolution.

This schedule is prepared using budgetary basis. For all grant budgets with current year activity, we have included the original budget and final budget amounts for the entire grant period. For the actuals we have included all revenues and expenditures, both within and prior to the reporting period, that correspond to the active grant budget periods. Below the schedule we have reconciled out all actual transactions that did not occur during the reporting period to arrive at change in fund balance GAAP basis.

Spokane County, Washington
Budgetary Comparison Schedule
COUNTY ROAD
For the Year Ended December 31, 2013

	Original 2013 Budget	Final 2013 Budget	2013 Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	18,903,759	19,054,058	18,891,626	(162,432)
Licenses and Permits	151,000	151,000	167,739	16,739
Intergovernmental	19,556,477	21,748,637	17,104,984	(4,643,653)
Charges for Services	176,500	633,500	1,979,285	1,345,785
Fines and Forfeits	-	-	-	-
Interest	45,000	45,000	14,709	(30,291)
Special Assessments	-	-	-	-
Contributions and Donations	-	-	318,301	318,301
Other Miscellaneous Revenues	37,000	37,000	24,428	(12,572)
	-	-	-	-
Total Revenues	38,869,736	41,669,195	38,501,072	(3,168,123)
EXPENDITURES				
Current:				
General Government	1,538,878	872,205	474,341	397,864
Judicial	-	-	-	-
Public Safety	-	-	69,824	(69,824)
Physical Environment	-	-	-	-
Transportation	25,868,945	28,208,477	28,008,886	199,591
Economic Environment	-	-	33,774	(33,774)
Health and Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:	-	-	-	
Principal Outlay	611,841	611,841	583,553	28,288
Interest Expenditure	204,101	204,101	190,056	14,045
Capital Outlay	12,895,968	14,917,744	9,338,765	5,578,979
Total Expenditures	41,119,733	44,814,368	38,699,199	6,115,169
Excess (Deficiency) of Revenues Over Expenditures	(2,249,997)	(3,145,173)	(198,127)	2,947,046
OTHER FINANCING SOURCES AND USES				
Transfer - In	407,000	413,000	253,053	(159,947)
Transfer - Out	-	-	(31,268)	(31,268)
General Long-Term Debt Issuance	1,110,000	964,473	431,312	(533,161)
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Issuance Costs	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Payment on Bond Refunding	-	-	-	-
Capital Leases	-	-	-	-
Disposition of Capital Assets	-	-	2,808	2,808
Total Other Financing Sources and (Uses)	1,517,000	1,377,473	655,905	(721,568)
Net Change in Fund Balance	(732,997)	(1,767,700)	457,778	2,225,478
Fund balances, January 1	4,363,164	4,426,692	7,325,412	2,898,720
Prior Period Adjustments			-	-
Restated Fund Balance	4,363,164	4,426,692	7,325,412	2,898,720
Fund balances, December 31	3,630,167	2,658,992	7,783,191	5,124,199

Spokane County, Washington
Budgetary Comparison Schedule
COMMMUNITY SERVICES & MENTAL HEALTH
For the Year Ended December 31, 2013

	Original 2013 Budget	Final 2013 Budget	2013 Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	22,284,017	22,284,017	18,546,366	(3,737,651)
Licenses and Permits	-	-	-	-
Intergovernmental	66,191,619	66,191,619	17,782,385	(48,409,234)
Charges for Services	64,347,285	64,347,285	67,799,980	3,452,695
Fines and Forfeits	-	-	-	-
Interest	917,000	917,000	826,811	(90,189)
Special Assessments	-	-	-	-
Contributions and Donations	5,000	5,000	2,110	(2,890)
Other Miscellaneous Revenues	-	-	4,869	4,869
Total Revenues	153,744,921	153,744,921	104,962,521	(48,782,400)
EXPENDITURES				
Current:				
General Government	576,792	576,792	128,774	448,018
Judicial	-	-	-	-
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Health and Human Services	164,417,135	164,417,135	98,138,915	66,278,220
Culture and Recreation	-	-	-	-
Debt Service:				
Principal Outlay	-	-	-	-
Interest Expenditure	-	-	-	-
Capital Outlay	1,002	1,002	58,255	(57,253)
Total Expenditures	164,994,929	164,994,929	98,325,944	66,668,985
Excess (Deficiency) of Revenues Over Expenditures	(11,250,008)	(11,250,008)	6,636,577	17,886,585
OTHER FINANCING SOURCES (USES)				
Transfer - In	-	-	16,244	16,244
Transfer - Out	(4,661,973)	(4,661,973)	(2,069,665)	2,592,308
General Long-Term Debt Issuance	-	-	-	-
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Issuance Costs	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Payment on Bond Refunding	-	-	-	-
Capital Leases	-	-	-	-
Disposition of Capital Asssets	-	-	100,449	100,449
Total Other Financing Sources and (Uses)	(4,661,973)	(4,661,973)	(1,952,972)	2,709,001
Net Change in Fund Balance	(15,911,981)	(15,911,981)	4,683,604	20,595,585
Fund balances, January 1	20,523,947	20,551,640	54,077,179	33,525,539
Prior Period Adjustments			-	-
Restated Fund Balance	20,523,947	20,551,640	54,077,179	33,525,539
Fund balances, December 31	4,611,966	4,639,659	58,760,783	54,121,124

Reconciliation of Net Change in Fund Balance (Budgetary Basis) to Net Change in Fund Balance (GAAP Basis)

Net Change in Fund Balance (Budgetary Basis)	**4,683,604**
Budgetary resources fromTaxes, not a current year revenue for financial reporting purposes	(9,881,707)
Budgetary resources from Intergovernmental sources, not a current year revenue for financial reporting purposes	(17,002,111)
Budgetary resources from Interest, not a current year revenue for financial reporting purposes	(751,858)
Budgetary resources from Gifts and Donations, not a current year revenue for financial reporting purposes	(1,780)
Budgetary resources from other miscellaneous sources, not a current year revenue for financial reporting purposes	(3,727)
Budgetary resources from Transfers In, not a current year revenue for financial reporting purposes	(16,244)
Budgetary uses for General Government expenditures, not a current year expenditure for financial reporting purposes	128,774
Budgetary uses for Health and Human Services, not a current year expenditure for financial reporting purposes	19,631,723
Budgetary uses for Transfers Out, not a current year expenditure for financial reporting purposes	371,986
Net Change in Fund Balance (GAAP Basis)	**(2,841,340)**

Note to Schedule: Budgetary Basis

Resources provided by state, federal or local sources are budgeted on the continuous appropriation method of budgeting. These grants and resources are awarded covering a time period different form the County's annual budget cycle. State and federal grants have periods of availability that can extend up to five years. Therefore, these budgets are not included in the County wide annual budget. They are appropriated at the time they are awarded with the maximum dollar amount to be expended approved per resolution.

This schedule is prepared using budgetary basis. For all grant budgets with current year activity, we have included the original budget and final budget amounts for the entire grant period. For the actuals we have included all revenues and expenditures, both within and prior to the reporting period, that correspond to the active grant budget periods. Below the schedule we have reconciled out all actual transactions that did not occur during the reporting period to arrive at change in fund balance GAAP basis.

Spokane County, Washington
Schedule of Funding Progress
for the year ended December 31, 2013

Valuation Date (A)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2007	$ -	$ 22,678,942	$ 22,678,942	0.00%	N/A (B)	N/A
January 1, 2010	-	35,115,000	35,115,000	0.00%	N/A (C)	N/A
January 1, 2011	-	35,612,000	35,612,000	0.00%	N/A (D)	N/A

(A) The County is required to have an actuarial analysis of the OPEB liability prepared every three years. The Actuarial Accrued Liability (AAL) calculated January 1, 2007 will not change for 2007, 2008, and 2009.The AAL calculated January 1, 2010 was used for 2010 only. The AAL calculated January 1, 2011 will not change for 2011, 2012, and 2013 reporting.

(B) Amount reported is for 2007, 2008 and 2009 collectively.
(C) Amount reported is for 2010.
(D) Amount reported is for 2011, 2012 and 2013 collectively.

Spokane County, Washington
Schedule of Employer Contributions
for the year ended December 31, 2013

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	$ 1,569,214	65.60%	$ 1,227,304
December 31, 2009	1,560,998	73.00%	1,644,302
December 31, 2010	2,274,172	56.00%	2,637,474
December 31, 2011	2,269,161	64.00%	3,455,635
December 31, 2012	2,247,866	66.00%	4,210,501
December 31, 2013	2,225,223	65.00%	4,981,724

Spokane County, Washington
Schedule of Employer Contributions
for the year ended December 31, 2013

Fiscal Year Ended	ARC at EOY	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Total Employer Contributions	Change in Net OPEB Obligation	Net OPEB Obligation Balance	(Gain)/Loss	Amortization Factor *	Amortization of (Gain)/Loss	Ending Balance
12/31/2008	$ 1,578,090	$ 34,405	$ 43,281	$ 1,569,214	$ 1,030,000	$ 539,214	$ 1,227,304	$ 548,090	15.8981	$ 43,281	$ 1,227,304
12/31/2009	1,578,090	61,365	78,457	1,560,998	1,144,000	416,998	1,644,302	434,090	15.6430	78,457	$ 1,644,302
12/31/2010	2,305,222	65,772	96,822	2,274,172	1,281,000	993,172	2,637,474	1,024,222	16.9828	96,822	2,637,474
12/31/2011	2,322,335	105,499	158,673	2,269,161	1,451,000	818,161	3,455,635	871,335	16.6221	158,673	3,455,635
12/31/2012	2,322,335	138,225	212,694	2,247,866	1,493,000	754,866	4,210,501	829,335	16.2470	212,694	4,210,501
12/31/2013	2,322,335	168,420	265,532	2,225,223	1,454,000	771,223	4,981,724	868,335	15.8568	265,532	4,981,724

* Based on 30-year closed amortization as of January 1, 2007

A. Actuarial Assumptions for Required Supplementary Information

The following assumptions were used in the actuarial report to determine the ARC for 2013. The actuarial report was prepared by Milliman Consultants and Actuaries.

Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	30-year, closed as of January 1, 2007
Remaining Amortization Period	24 years
Actuarial Assumptions:	
Investment Rate of Return	4.0%

Medical Trend

Year	Rate
2011	7.8%
2012	7.1%
2013	6.5%
2014-2019	5.9%
2020-2030	5.8%
2031-2036	5.7%

Long-term Care Inflation Rate 4.75%

B. Schedule of Funding Progress

The schedule of funding progress was prepared in accordance with GASB Statement No. 45, using the actuarial information provided by Milliman. The Actuarial Accrued Liability amount is representative of the population of LEOFF 1 retirees and actives for Spokane County. Total LEOFF 1 population includes 82 retirees and no active employee. Covered payroll is the total actual payroll for the active employees eligible for LEOFF 1 benefits. The total population of 82 individuals will never increase due to the fact that there are no new members allowed in the LEOFF 1 retirement system and the County only provides the additional medical benefit to LEOFF 1 retirees. Based on the fact that the population is limited and will decrease over time, the County will continue to fund this benefit on a pay as you go basis.

Spokane County, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Grant Awarded Number	From Pass-Through	From Direct	Total	Notes
U.S. Department of Agriculture as passed through the WA OSPI	School Breakfast Program	10.553	32-081-6814	11,297			
U.S. Department of Agriculture as passed through the WA OSPI	School Breakfast Program	10.553	32-081-6814	7,552			
Subtotal Indirect CFDA 10.553 U.S. Dept of Agriculture Passed through WA OSPI				**18,850**	**-**	**18,850**	
U.S. Department of Agriculture as passed through the WA OSPI	National School Lunch Program	10.555	32-081-6814	17,068			
U.S. Department of Agriculture as passed through the WA OSPI	National School Lunch Program	10.555	32-081-6814	11,533			
Subtotal Indirect CFDA 10.555 U.S. Dept of Agriculture Passed through WA OSPI				**28,601**	**-**	**28,601**	
U.S. Department of Agriculture as passed through the WA OSPI	Commodity Supplemental Food Program	10.565	32-081-6814	1,369			
Subtotal Indirect CFDA 10.565 U.S. Dept of Agriculture Passed through WA OSPI				**1,369**	**-**	**1,369**	
U.S. Department of Housing and Urban Development	CDBG/Entitlement Grants	14.218	B-09-UC-53-0004		41,072		5
U.S. Department of Housing and Urban Development	CDBG/Entitlement Grants	14.218	B-10-UC-53-0004		73,709		5
U.S. Department of Housing and Urban Development	CDBG/Entitlement Grants	14.218	B-11-UC-53-0004		98,894		5
U.S. Department of Housing and Urban Development	CDBG/Entitlement Grants	14.218	B-12-UC-53-0004		660,839		5
U.S. Department of Housing and Urban Development	CDBG/Entitlement Grants	14.218	B-13-UC-53-0004		452,858		5
Subtotal Direct CFDA 14.218 U.S. Department of Housing and Urban Development				**-**	**1,327,371**	**1,327,371**	
U.S. Department of HUD as passed through WA Department of Commerce	CDBG/State's program and Non-Entitlement Grants in Hawaii	14.228	08-F6401-020	64,631			5
Subtotal Indirect CFDA 14.228 U.S. Department of HUD as passed through WA Department of Commerce				**64,631**	**-**	**64,631**	
U.S. Department of HUD as passed through WA Department of Commerce	Emergency Solutions Grant Program	14.231	13-46107-026	44,960			
Subtotal Indirect CFDA 14.231 Department of HUD as passed through WA Department of Commerce				**44,960**	**-**	**44,960**	
U.S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M09-UC-53-0203		861,100		
U.S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M11-UC-53-0203		501,485		5
U.S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M12-UC-53-0203		38,757		
U.S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M13-UC-53-0203		38,364		
Subtotal Direct CFDA 14.239 U.S. Department of Housing & Urban Development				**-**	**1,439,707**	**1,439,707**	
U.S. Department of the Interior as passed through WA State Treasurer	Payments in Lieu of Taxes	15.226	N/A	16,080			
Subtotal Indirect CFDA 15.226 U.S. Department of the Interior as passed through WA State Treasurer				**16,080**	**-**	**16,080**	
U.S. DOJ as Passed through WA DSHS	Juvenile Accountability Block Grants	16.523	0663-98458	18,224			
U.S. DOJ as Passed through WA DSHS	Juvenile Accountability Block Grants	16.523	0663-98458	911			4
Subtotal Indirect CFDA 16.523 U.S. DOJ as passed through WA DSHS				**19,135**	**-**	**19,135**	
U.S. DOJ as passed through the WA DSHS Office of Juvenile Justice	Juvenile Justice and Delinquency Prevention Allocation to States	16.540	I-501-00512	2,339			
U.S. DOJ as passed through the WA DSHS Office of Juvenile Justice	Juvenile Justice and Delinquency Prevention Allocation to States	16.540	I-501-00512	234			4
U.S. DOJ as passed through the WA DSHS Office of Juvenile Justice	Juvenile Justice and Delinquency Prevention Allocation to States	16.540	I-501-00813	2,633			
U.S. DOJ as passed through the WA DSHS Office of Juvenile Justice	Juvenile Justice and Delinquency Prevention Allocation to States	16.540	I-501-00813	299			4
Subtotal Indirect CFDA 16.540 U.S. DOJ, Office of Juvenile Justice as passed through State of WA Department of Social & Health Services				**5,505**	**-**	**5,505**	
U.S. DOJ Bureau of Justice Assistance	Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0034		25,919		
U.S. DOJ Bureau of Justice Assistance	Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0034		48,534		
U.S. DOJ Bureau of Justice Assistance	Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0034		7,430		4
Subtotal Direct CFDA 16.585 U.S. DOJ Bureau of Justice Assistance				**-**	**81,883**	**81,883**	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Grant Awarded Number	From Pass-Through	From Direct	Total	Notes
U.S. DOJ as passed through WA State Department of Commerce	Violence Against Women Formula Grants	16.588	F12-31108-062	24,055			
U.S. DOJ as passed through WA State Department of Commerce	Violence Against Women Formula Grants	16.588	F12-31108-062	22,928			
U.S. DOJ as passed through WA State Department of Commerce	Violence Against Women Formula Grants	16.588	F12-31108-062	5,151			4
Subtotal Indirect CFDA 16.588 U.S. DOJ, Violence Against Women Office as passed through WA State Department of Commerce				**52,134**	**-**	**52,134**	
U.S. DOJ, Office on Violence Against Women (OVW)	Grants to Encourage Arrest Policies and Enforcement of Protection	16.590	2011-WE-AX-0022		165,164		5
U.S. DOJ, Office on Violence Against Women (OVW)	Grants to Encourage Arrest Policies and Enforcement of Protection	16.590	2011-WE-AX-0022		9,555		4
Subtotal Direct CFDA 16.590 United States DOJ, Office on Violence Against Women				**-**	**174,719**	**174,719**	
U.S. DOJ, Bureau of Justice Assistance	State Criminal Alien Assistance Program	16.606	2012-AP-BX-0269		87,464		
Subtotal Direct CFDA 16.606 U.S. DOJ				**-**	**87,464**	**87,464**	
U.S. DOJ, Bureau of Justice Assistance	Bulletproof Vest Partnership Program (BVP)	16.607	N/A		29		
U.S. DOJ, Bureau of Justice Assistance	Bulletproof Vest Partnership Program (BVP)	16.607	N/A		2,863		
U.S. DOJ, Bureau of Justice Assistance	Bulletproof Vest Partnership Program (BVP)	16.607	N/A		4,496		
Subtotal Direct CFDA 16.607 U.S. DOJ Office of Justice Program				**-**	**7,389**	**7,389**	
U.S. DOJ, Office of Community Oriented Policing Services	Public Safety Partnership and Community Policing Grants	16.710	2011CKWX0029		57,290	57,290	5
Subtotal Direct CFDA 16.710 U.S. DOJ				**-**	**57,290**	**57,290**	
16.710 Total:							
U.S. DOJ as passed through WA DSHS	Enforcing Underage Drinking Laws Program	16.727	1363-90216	499			
Subtotal Indirect CFDA 16.727 U.S. DOJ as passed through WA DSHS				**499**	**-**	**499**	
U.S. DOJ, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345		31,555		
U.S. DOJ, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345		30,336		
U.S. DOJ, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345		31,875		5
U.S. DOJ, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345		9,790		4
U.S. DOJ, Bureau of Justice Assistance as passed through the City of Spokane	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2142	33,517			
U.S. DOJ, Bureau of Justice Assistance as passed through the City of Spokane	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2142	40,805			
U.S. DOJ, Bureau of Justice Assistance as passed through the City of Spokane	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0639	8,552			5
U.S. DOJ, Bureau of Justice Assistance as passed through the City of Spokane	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0639	815			4
U.S. DOJ, Bureau of Justice Assistance as passed through WA Dept. of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-016	29,444			
U.S. DOJ, Bureau of Justice Assistance as passed through WA Dept. of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-016	59,720			5
U.S. DOJ, Bureau of Justice Assistance as passed through WA Dept. of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-016	12,663			4
Subtotal Direct and Indirect CFDA 16.738 U.S. DOJ, Bureau of Justice Assistance				**185,516**	**103,555**	**289,072**	
U.S. DOJ, Bureau of Justice Assistance	Congressionally Recommended Awards	16.753	2008-DD-BX-0574		93,526		5
Subtotal Direct CFDA 16.753 U.S. DOJ				**-**	**93,526**	**93,526**	
U.S. DOJ Bureau of Justice Assistance as passed through the City of Spokane	**ARRA -** Edward Byrne Memorial (JAG) Formula Program	16.804	2009-SB-B9-0693	14,025			6
U.S. DOJ Bureau of Justice Assistance as passed through the City of Spokane	**ARRA -** Edward Byrne Memorial (JAG) Formula Program	16.804	2009-SB-B9-0693	19,401			6
Subtotal Indirect CFDA 16.804 U.S. DOJ as passed through City of Spokane and City of Spokane Valley				**33,425**	**-**	**33,425**	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Grant Awarded Number	From Pass-Through	From Direct	Total	Notes
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-6524	23,506			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-6524	5,531			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-6451	2,811			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-6451	661			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7564	32,708			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7564	7,696			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7738	26,070			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7738	6,134			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7234	1,147,280			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7234	269,955			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-5987	1,278,862			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-5987	300,916			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7491	91,886			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7491	21,621			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7325	314			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7325	74			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7490	14,255			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7490	3,354			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7363/7734	186,595			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7363/7734	43,854			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7345	165,803			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7345	39,763			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7343	59,516			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7343	14,004			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8039	13,234			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8039	3,114			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8004	908,632			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8004	213,801			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7999	371,632			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7999	87,445			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8038	22,325			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8038	5,253			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7958	95,309			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-7958	22,426			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8081	86,808			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8081	20,426			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8080	36,288			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8080	8,539			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8082	126,517			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8082	29,769			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8037	188,066			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8037	44,207			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8218	2,450			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8218	576			4
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8013	7,080			
U.S. DOT as Passed through through WA State DOT	Highway Planning and Construction	20.205	LA-8013	1,666			4
	Subtotal Indirect CFDA 20.205 U.S. DOT as passed through WA State DOT			**6,038,731**	**-**	**6,038,731**	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Grant Awarded Number	From Pass-Through	From Direct	Total	Notes
U.S. DOT as passed through WA Recreation and Conservation Office	Recreational Trails Program	20.219	10-1265D	8,466			
	Subtotal Indirect CFDA 20.219 U.S. DOT as passed through WA State Recreation and Conservation Office			**8,466**	**-**	**8,466**	
U.S. DOT as passed through WA Traffic Safety Commission	State and Community HIghway Safety	20.600	AL14-03	26,366			
U.S. DOT as passed through WA Traffic Safety Commission	State and Community HIghway Safety	20.600	AL14-03	4,662			4
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	AL13-02	54,363			
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	AL13-02	1,848			4
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	CP13-11	10,711			
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	CP13-11	1,340			4
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	AL14-05	10,389			
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	AL14-05	353			4
U.S. DOT as passed through WA Traffic Safety Commission	State and Community Highway Safety	20.600	N/A	4,652			
U.S. DOT as passed through WA Traffic Safety Commission and WASPC	State and Community Highway Safety	20.600	N/A	4,772			
	Subtotal Indirect CFDA 20.600 U.S. DOT National Highway Safety Administration as passed through WA Traffic Safety Commission			**119,457**	**-**	**119,457**	
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	41,553			
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	9,510			4
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K813-06	79,939			
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K813-06	7,991			4
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	1,995			
U.S. DOT as passed through WA Traffic Safety Commission and Spokane Valley	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	5,000			
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	354			
U.S. DOT as passed through WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	285			
U.S. DOT as passed through WA Traffic Safety Commission and Spokane Valley	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	1,611			
U.S. DOT as passed through WA Traffic Safety Commission and Spokane Valley	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	2,161			
	Subtotal Indirect CFDA 20.601 U.S. DOT as passed through WA Traffic Safety Commission			**150,400**	**-**	**150,400**	
U.S. DOT as passed through WA Traffic Safety Commission	Child Safety and Child Booster Seats Incentive Grants	20.613	N/A	1,000			
	Subtotal Indirect CFDA 20.613 U.S. DOT as passed through WA Traffic Safety Commission			**1,000**	**-**	**1,000**	
U.S. DOT as passed through WA Traffic Safety Commission	National Priority Safety Programs	20.616	N/A	7,228			
U.S. DOT as passed through WA Traffic Safety Commission and Spokane Valley	National Priority Safety Programs	20.616	N/A	3,650			
	Subtotal Indirect CFDA 20.616 U.S. DOT as passed throuogh WA Traffic Safety Commission			**10,877**	**-**	**10,877**	
U.S. Elections Assistance Commission as Passed through WA Secretary of State	Help America Vote Act Requirements Payments	90.401	G-2845	4,915			3
	Subtotal Indirect CFDA 90.401 U.S. Elections Assistance Commission as passed through WA Secretary of State			**4,915**	**-**	**4,915**	
U.S. Department of Health and Human Services as passed through WA DSHS	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1169-34879	18,329			5
U.S. Department of Health and Human Services as passed through WA DSHS	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1269-59277	84,563			5
U.S. Department of Health and Human Services as passed through WA DSHS	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1369-83133	5,810			5
	Subtotal Indirect CFDA 93.150 U.S. Department of Health & Human Services as passed through State of WA Department of Social & Health Services			**108,702**	**-**	**108,702**	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Grant Awarded Number	From Pass-Through	From Direct	Total	Notes
U.S. Department of Health and Human Services	Substance Abuse and Mental Health Services_PRNS	93.243	12TI24155A		112,693		5
U.S. Department of Health and Human Services	Substance Abuse and Mental Health Services_PRNS	93.243	12TI24155A		55,014		5
U.S. Department of Health and Human Services	Substance Abuse and Mental Health Services_PRNS	93.243	12TI24155A		2,300		4
U.S. Department of Health and Human Services	Substance Abuse and Mental Health Services_PRNS	93.243	12TI24155A		1,100		4
Subtotal Direct CFDA 93.243 U.S. Department of Health & Human Services Substance Abuse and Mental Health Services Admin				**-**	**171,107**	**171,107**	
U.S. Department of Social and Health Services as passed through WA DSHS	Substance Abuse and Mental Health Services-Access to Recovery	93.275	1063-12900	377,335			
U.S. Department of Social and Health Services as passed through WA DSHS	Substance Abuse and Mental Health Services-Access to Recovery	93.275	1063-12900	127,402			
Subtotal Indirect CFDA 93.275 WA DSHS as passed through from U.S. Department of Social and Health Services				**504,737**	**-**	**504,737**	
U.S. Department of Health and Human Services as passed through WA DSHS	Child Support Enforcement	93.563	75-1501-0-1-609	235,657			
U.S. Department of Health and Human Services as passed through WA DSHS	Child Support Enforcement	93.563	75-1501-0-1-609	14,052			
U.S. Department of Health and Human Services as passed through WA DSHS	Child Support Enforcement	93.563	75-1501-0-1-609	26,755			
U.S. Department of Health and Human Services as passed through WA DSHS	Child Support Enforcement	93.563	75-1501-0-1-609	1,478,652			
U.S. Department of Health and Human Services as passed through WA DSHS	Child Support Enforcement	93.563	75-1501-0-1-609	131,828			
U.S. Department of Health and Human Services as passed through WA DSHS	Child Support Enforcement	93.563	75-1501-0-1-610	257,250			4
Subtotal Indirect CFDA 93.563 Department of Health & Human Services as passed through from State of WA DSHS				**2,144,193**	**-**	**2,144,193**	
U.S. Department of Health and Human Services as passed through WA DSHS	Medical Assistance Program	93.778	1163-27327	286,120			5
U.S. Department of Health and Human Services as passed through WA DSHS	Medical Assistance Program	93.778	1163-27327	256,962			5
Subtotal Indirect CFDA 93.778 Department of Health & Human Services as passed through State of WA Department of Social & Health Services				**543,082**	**-**	**543,082**	
U.S. Department of Heath and Human Services as passed through WA DSHS	Block Grants for Community Mental Health Services	93.958	1169-35527	310,199			5
U.S. Department of Heath and Human Services as passed through WA DSHS	Block Grants for Community Mental Health Services	93.958	1369-76935	361,336			5
Subtotal Indirect CFDA 93.958 U.S. Department of Health & Human Services as passed through State of WA Department of Social & Health Services				**671,535**	**-**	**671,535**	
U.S. Department of Health and Human Services as passed through WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27327	333,623			5
U.S. Department of Health and Human Services as passed through WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959		336,189			5
Subtotal Indirect CFDA 93.959 U.S. Department of Health & Human Services as passed through State of WA Department of Social & Health Services				**669,812**	**-**	**669,812**	
Executive Office of the President, Office of National Drug Control Policy	High Intensity Drug Trafficking Areas Program	95.001	G12NW0010A		43,635		
Executive Office of the President, Office of National Drug Control Policy	High Intensity Drug Trafficking Areas Program	95.001	G12NW0010A		2,296		4
Executive Office of the President, Office of National Drug Control Policy	High Intensity Drug Trafficking Areas Program	95.001	G13NW0010A		601		
Executive Office of the President, Office of National Drug Control Policy	High Intensity Drug Trafficking Areas Program	95.001	G13NW0010A		32		4
Executive Office of the President, ONDCP as passed through the WSP	High Intensity Drug Trafficking Areas Program	95.001	C130634FED	610			
Executive Office of the President, ONDCP as passed through the WSP	High Intensity Drug Trafficking Areas Program	95.001	C130644FED	5,000			
Subtotal Direct and Indirect CFDA 95.001 Executive Office of the President				**5,610**	**46,564**	**52,174**	
U.S. Department of Homeland Security as passed through WA State Parks	Boating Safety Financial Assistance	97.012	N/A	43,486			
Subtotal Indirect CFDA 97.012 U.S. Department of Homeland Security as passed through WA State Parks and Recreation Commission				**43,486**	**-**	**43,486**	
U.S. Department of Homeland Security as passed through WA Military Dept.	Disaster Grants - Assistance (Presidentially Declared Disasters)	97.036	D09-366	100			
Subtotal Indirect CFDA 97.036 Federal Emergency Management Agency as passed through State of WA Military Department Emergency Management Division				**100**	**-**	**100**	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Grant Awarded Number	From Pass-Through	From Direct	Total	Notes
U.S. Department of Homeland Security as passed through WA Military Dept.	Emergency Management Performance Grants	97.042	E12-349	58,262			
U.S. Department of Homeland Security as passed through WA Military Dept.	Emergency Management Performance Grants	97.042	E12-349	5,995			4
U.S. Department of Homeland Security as passed through WA Military Dept.	Emergency Management Performance Grants	97.042	E14-129	7,058			
U.S. Department of Homeland Security as passed through WA Military Dept.	Emergency Management Performance Grants	97.042	E14-129	726			4
Subtotal Indirect CFDA 97.042 U.S. Department of Homeland Security as passed through WA State Military Department				**72,041**	**-**	**72,041**	
U.S. Department of Homeland Security as passsed through WA Emergency Mgmt	Pre-Disaster Mitigation	97.047	E12-176	140,338			
Subtotal Indirect CFDA 97.047 Department of Homeland Security as passsed through WA State Emergency Management Division				**140,338**	**-**	**140,338**	
U.S. Dept of Homeland Security as passed through WA Emergency Management	Homeland Security Grant Program	97.067	E11-119	145,100			5
U.S. Dept of Homeland Security as passed through WA Emergency Management	Homeland Security Grant Program	97.067	E11-119	3,475			4
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E11-130	16,238			5
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E11-130	991			4
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E12-173	288,924			
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E12-173	7,430			
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E12-173	22,450			4
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E12-276	111,660			5
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E12-276	15,301			
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E12-276	6,129			4
U.S. Department of Homeland Security as passed through WA Commission for National and Community Service	Homeland Security Grant Program	97.067	K1039	8,790			
U.S. Department of Homeland Security as passed through WA Commission for National and Community Service	Homeland Security Grant Program	97.067	K1039	905			4
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E13-139	60,734			5
U.S. Department of Homeland Security as passed through WA Military Department	Homeland Security Grant Program	97.067	E13-139	94			4
Subtotal Indirect CFDA 97.067 U.S. Dept of Homeland Security as passed through WA State Military Dept				**688,222**	**-**	**688,222**	
Total Expenditures from Federal Awards				**12,396,411**	**3,590,575**	**15,986,986**	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2013

Note 1 - Basis of Accounting

The Schedule of Expenditures of Awards is prepared on the same basis of accounting as the County's financial statements. The accrual basis of accounting is used for all funds except the governmental funds, expendable trust funds and agency funds, which use the modified accrual basis of accounting.

Note 2 - Program Costs

The amounts shown as current expenditures represent only the federal or state portion of program costs. Entire program costs, including the County's portion, may be more than shown.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Number

CFDA number 90.401 has replaced old CFDA number 39.011 for Help America Vote Act Requirements. We are reporting the new CFDA number.

Note 4 – Indirect Cost Rate

The amount expended includes $1,623,865 claimed as an indirect cost recovery using an approved indirect cost rate per the following table.

Fund	Dept ID	Rate
010	040 - DEM	10.29%
010	090 – Clerk	21.51%
010	190 – District Court	25.56%
010	200 – Juvenile	18.27%
010	250 – Prosecutor Criminal	17.68%
010	250 – Prosecutor Supp Enf	11.30%
010	290 – Sheriff	12.51%
010	310 – Superior Court	23.29%
110	400 – Roads	23.53%
150	202 – Probation	3.40%

Note 5 – Amounts Awarded to Sub-recipients

Included in the total amount expended for these programs is $3,430,505 that was passed through to a sub-recipient.

Note 6 – American Recovery and Reinvestment Act (ARRA) of 2010

Expenditures for these programs were funded by ARRA.

Corrective Action Plan for Findings Reported Under OMB Circular A-133

Spokane County
January 1, 2013 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Spokane County. The State Auditor's Office has reviewed the information as presented by the County.

Finding ref number: 1	**Finding caption:** The County's Community Development Department lacks internal controls to ensure compliance with federal suspension and debarment requirements.
Name, address, and telephone of auditee contact person: Tim Crowley, Community Development Specialist 3 Spokane County Community Services, Housing, and Community Development Department 312 W. 8th Avenue Spokane, WA 99204 (509) 477-4488	
Corrective action the auditee plans to take in response to the finding: *1. As part of the Department's Affordable Housing Program Application, the Department will include a Suspended and Debarred Certification that provides Spokane County a signed, dated acknowledgment that the individual, agency, or organization, has not been suspended or debarred prior to entering a HOME Agreement with Spokane County.* *2. As part of the Department's Affordable Housing Program HOME Agreement, language shall be included informing the individual, agency, or organization of their responsibility to check the suspension and debarment status for any covered transactions they enter into with subcontractors.*	
Anticipated date to complete the corrective action: This has been implemented effective immediately.	

Finding ref number: 2	**Finding caption:** The Public Works Department lacked internal controls to ensure compliance with allowable cost requirements for its Highway Planning and Construction grant.
Name, address, and telephone of auditee contact person: Chad Coles, Assistant County Engineer 1026 West Broadway Spokane, WA 99260 (509) 477-7450.	

Corrective action the auditee plans to take in response to the finding: *Spokane County failed to restrict billings to 15% of bridge approach costs for the Little Spokane River Bridge project. This percentage restriction is detailed in the Local Agency Guidelines manual (LAG) requirements. This oversight resulted in an overpayment to the County from Washington State Department of Transportation (WSDOT). Prior to the review of this grant by the State Auditor's Office, a County staff member discovered the overpayment and brought to the attention of the Spokane County Finance Director.* *Due to staff turnover newer employees were unaware of the requirements related to LA 7345. To improve internal controls and prevent this oversight from re-occurring, County staff has received training in how to review and follow grant requirements, including allowable grant costs, both direct and indirect. This training also included grant monitoring procedures and requirements of grant closeout. In addition, billings are prepared by the Public Works staff who reviews for allowable costs before submitting to the grants management office, for additional review of allowable direct and indirect costs. Every effort is being made to train new staff in grant requirements.* *The County has submitted to WSDOT on June 24, 2014 the amount of $206,990.46, which reimbursed the State for the overpayment.*
Anticipated date to complete the corrective action: This has been implemented effective immediately and ongoing training for grant compliance and monitoring will continue throughout 2014.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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