



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

July 26, 2018

Board of Directors  
Spokane Airport Board  
Spokane, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Spokane Airport Board's financial statements for the fiscal years ended December 31, 2017 and 2016. The Airport contracted with the CPA firm for this audit under an agreement with the State Auditor's Office.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The State Auditor's Office did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the State Auditor's Office website as a matter of public record.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

# 2017 ANNUAL REPORT

## SPOKANE AIRPORT BOARD



Spokane International Airport, Felts Field, Airport Business Park



SALES GLOBAL  
GROWTH DEVELOPMENT PRODUCTIVITY  
INTEGRATED FUTURE  
**INTEGRITY**  
INTERNATIONAL  
**ONLINE**  
COOPERATION INNOVATION CONCEPTS  
SALES STOCK MARKET  
**TEAM MOTIVATION**  
IDEA SALES  
PROFIT  
**VISION**  
PROFIT  
CONNECT  
IDEA  
EXPERTISE  
IDEA STRA  
PEOPLE  
SUCCESS PLANS  
DATA FUTURE DATA  
DATA CONCEPTS INTERNATIONAL  
**SOLUTION**  
BUSINESS  
IDEA INVESTMENT DATA  
SALES PLANS  
ADVICE COMMUNICATION  
**TECHNOLOGY**  
INTERNATIONAL  
PEOPLE  
MARKET DATA  
GROWTH TEAM SALES  
WEBSITE  
PRODUCT  
MARKETING  
DECISION



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# SPOKANE AIRPORT BOARD

## COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS

For the years ending  
December 31, 2017 & 2016

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Spokane, Washington

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# Connecting you to Business



Introductory Section



# Spokane International Airport

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June 3, 2018

To the Spokane Airport Board:

The Comprehensive Annual Financial Report (CAFR) of the Spokane Airport Board (Board) for the fiscal year ended December 31, 2017 is hereby submitted to the Board and all others interested in the financial condition of Spokane International Airport, the Airport Business Park and Felts Field. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, of the report rests with the Airport management. To the best of our knowledge and belief, the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

GAAP requires management to provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A summarizes the Statement of Net Position along with the Statement of Revenues, Expenses and Changes in Net Position as well as comparing the current year to prior years. This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the financial section of the CAFR.

The independent auditor, Moss Adams LLP, has rendered an unmodified ("clean") opinion that the financial statements for the year ended December 31, 2017, present fairly, in all material respects, the financial position, changes in net position and cash flows. Moss Adams also rendered an unmodified opinion regarding the Passenger Facility Charge program in a separate report.

The Washington State Auditor's Office (SAO) performs the Federal single audit of all federally funded grant programs. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The SAO also performs an Accountability Audit consisting of an examination of compliance and the safeguarding of public resources. These results of these two audits are produced in separate reports.

## Organization

The Spokane Airport Board was established July 30, 1962, by the Airport Joint Operation Agreement entered into by the City of Spokane ("City") and County of Spokane ("County"). The City and the County entered into an agreement for the purpose of jointly improving, operating, and maintaining Spokane International Airport and Felts Field under the laws of the State of Washington later codified as RCW 14.08. A 1982 agreement between the City and the County formally identified the opportunity to develop property surrounding the airport and encouraged the development of that property through the Airport Industrial Park Master Plan as a source of revenue for the Airport. A 1990 amendment to the *Airport Joint Operation Agreement* formally identified three operating areas, Spokane International Airport (SIA), Airport Business Park (ABP), and Felts Field, to be collectively known as the Airport. The 1990 amendment also vested to the Board, to the fullest extent permissible by state and federal law, authority for the management and operation of the Airport for aeronautical and industrial development purposes. Although accounted for separately in the records of the Airport, the operations of the three operating areas are combined in the body of this report. Results of the three areas are shown separately in the Statistical Section of this report.

The Airport Board consists of seven members appointed by the City and the County. Three Board members are appointed by the City, one of which is to be a member of the City Council; three are appointed by the County, one of which is to be a member of the Board of County Commissioners; and the seventh is appointed jointly by the City and the County. The Board members receive no salary or compensation for their services, but by resolution of the Board, may be reimbursed for their actual expenses paid or obligated to be paid in connection with services rendered solely for the benefit of the Board.

The Board employs the Chief Executive Officer, subject to the City and County approval. Employees of the Airport are not considered employees of either the City or the County. The Airport's staff is organized into departments, each managed by personnel appointed by and reporting directly to the CEO. The departments are: Airport Rescue and Firefighting (ARFF), Finance and Accounting, Human Resources, Information Technology, Marketing and Public Affairs, Operations and Maintenance, Parking and Ground Transportation, Planning and Engineering, Police, and Properties and Contracts. The organizational chart that follows this letter reflects the operational structure as of December 31, 2017.



**Spokane International Airport (SIA)** is located six miles west of the business center of the City. It is the third largest and busiest airport in the contiguous Pacific Northwest region in terms of passenger traffic, behind Seattle-Tacoma International Airport and Portland International Airport. With recent land acquisitions, SIA encompasses approximately 6,460 acres and includes two runways, 3-21 and 7-25, and associated taxiways. There is a continuously operating FAA Airport Traffic Control Tower (ATCT) and Terminal Radar Approach Control

(TRACON) facility along with U.S. Customs and Border Protection support services. Other services at SIA include cargo handling, aircraft maintenance hangars, aircraft painting facilities, and a fixed-base operator (FBO) for corporate and general aviation that provides fueling operations as well as aircraft storage and parking. The Airport Board also owns a fire station, a fuel storage facility, a maintenance building, a snow removal equipment storage building, and other airfield support structures. The Airport Board owns and operates two terminal buildings that handle scheduled passenger airlines as well as two parking structures and 8 other surface parking lots dedicated to passenger and employee use.



**The Airport Business Park (ABP)** includes approximately 540 acres adjacent to SIA. The ABP is served by a direct interchange with Interstate 90, the main east-west interstate freeway from Seattle to Boston, and includes the US Postal Service Regional Processing and Distribution Center, the region's waste-to-energy facility, and a wide variety of corporate offices, recycling, warehousing, manufacturing, and shipping facilities. The Airport Board owns a number of buildings in the ABP, including buildings that comprise the Geiger Correction Facility, two separate

office complex buildings, one free standing warehouse, as well as a maintenance facility. Efforts to prepare property for future aeronautical and commercial development resulted in the Airport removing functionally obsolete structures in recent years.





*Felts Field*, designated as a general aviation reliever airport for SIA, is located approximately four miles east of the City's business center, allowing general aviation operations to be located away from larger / high-performance corporate, commercial passenger and air cargo aircraft operations at SIA. It encompasses roughly 400 acres of land and is used primarily for general aviation, flight instruction and aviation maintenance schools, aircraft maintenance, and charter services. The facility is also headquarters to a regional Medevac flight operation. Felts Field also

has an Airport Traffic Control Tower that is part of the Federal Contract Tower program. The site contains 74 separate buildings, seventeen of which are owned by the Airport. The airport owned buildings include six aircraft storage hangar buildings, one general storage building, three office buildings, the terminal building and adjacent clock tower, two restroom facilities, an airfield electrical vault, and an airfield maintenance facility. The FAA's Flight Standards District Office (FSDO) is located in one of the office buildings. There are approximately one hundred sixty-one (161) fixed-wing and fifteen (15) rotary aircraft based at Felts Field.

## **Economic Conditions and Outlook**

### **Local Population and Economy**

The US Census Bureau defines the Combined Statistical Area (CSA) of the region the Airport serves as Spokane, Stevens and Pend Oreille Counties in Washington along with Kootenai County, Idaho. Larger cities located within Spokane County include Spokane, Spokane Valley, Cheney, Airway Heights, Deer Park, and Liberty Lake. Colville is the largest community in Stevens County which lies to the northwest of Spokane. Pend Oreille County is situated due north of Spokane County with the largest community of Newport. Coeur d'Alene is the largest city in Kootenai County and is approximately 35 miles east of Spokane.

The total estimated population of the four counties making up the CSA is approximately 711,000. The City of Spokane is the second largest city in the state of Washington behind only Seattle and the third largest in the American portion of the Pacific Northwest, behind Seattle and Portland, Oregon. Additional demographic information about SIA's primary service area, as well as its secondary service area, may be found in the statistical section of this report.

Spokane's economy revolves around the following industries: Aerospace, Banking and Financial Services, Health Care, Higher Education, Government Services, Information Technology, Manufacturing, Retail and Hospitality and related Service Industries.

The single largest employer in Spokane County is Fairchild Air Force Base with over 5,935 Full Time Equivalent Employees (FTEs) followed by Providence Health Care of Eastern Washington with 5,688 FTEs. The largest employer in Kootenai County, Idaho is Kootenai Health with almost 3,000 FTEs.

It was announced in 2017 that Fairchild, the largest tanker base in the western United States, was selected to take on 12 more KC-135 refueling aircraft. The addition of these aircraft will bring the number of tankers on the base to 60 by 2020. It will then become the largest tanker base in the entire country.

Spokane serves as the regional head of a combined network Providence St. Joseph Health's Washington / Montana region with 13 hospitals. Kootenai Health in Coeur d'Alene, Idaho is a member of the Mayo Clinic Care Network with access to the Mayo Clinic's research, treatment, and diagnosis assistance. In 2017, two companies with significant presence in Spokane changed owners. Community Health System sold Deaconess Hospital to Tacoma based MultiCare Health Service while LabCorp acquired Pathology Associates Medical Laboratories (PAML).

## International and Domestic Air Travel Industry Recap and Future Outlook

In its 2017 year-end Economic Performance of the Airline Industry report, the International Air Transport Association (IATA) forecast global consumers will benefit from lower travel costs along with more routes while spending \$861 billion on air transport in 2018. That will be an increase of 9.4% in spending over 2017 and 16.2% above 2016 results. The number of destinations provided by air carriers has been increasing which results in more than 20,000 unique city pairs in 2017, after last year's forecast of 18,000. There are concerns about US economic policy and protectionist rhetoric, however the easing in fiscal policies has produced stronger global economic growth.

According to IATA, the North American airlines continue to show the strongest financial performance when compared to other regions. In 2016, after tax profits in the North American region came in at \$16.5 billion, and is forecast to maintain similar levels for 2017 and 2018. These net profits continue to be driven by consolidations, as well as ancillary fees such as bag and ticket change charges. The ancillary revenues limit the impact of fluctuating fuel costs. The breakeven load factors are 57% while actual load factors are forecast to be 81.4% in 2018.

Airlines for America (A4A), the industry trade organization for the leading airlines in the U.S., mirrors much of what IATA reports. In an industry review and outlook presentation issued in February 2018, A4A presents a decrease in an average round-trip airfare of \$370.42 in the first half of 2017 compared to \$372.14 during the same period of 2016. Ancillary fees add an average of \$22.89 per round-trip fare. In 2017, domestic available seats were up over 2016 by 3.2%, while enplaned passengers increased 3.0%. 2017 and 2018 forecasts of available seats continue to be above 3% each year. According to A4A, in 2016 the breakeven load factor was 68.2%, and an actual load factor of 82.9%. Both of these factors are higher than reported by the more globally oriented IATA data.

In its Aerospace Forecast for Fiscal Years 2017 - 2037, the Federal Aviation Administration (FAA) portrays the industry environment as a combination of robust demand with continued low energy prices resulting in record profits for U.S. airlines. U.S. carrier profitability may fall in the near term as rising energy prices and higher labor costs offset higher revenues fed by solid demand. Over the long term, the FAA sees a competitive and profitable aviation industry characterized by increasing demand for air travel and airfares growing more slowly than inflation, reflecting over the long term a growing U.S. and global economy.

The FAA report states the commercial air carrier industry shows three distinct trends: industry consolidation and restructuring, continued capacity discipline, and the proliferation of ancillary revenues.

The latest development in consolidation and restructuring, the merger of Alaska Airlines and Virgin America created the nation's 5<sup>th</sup> largest airline. There are now six major airlines in the U.S. (American, Delta, Southwest, United, Alaska/Virgin, and Jet Blue) controlling approximately 85% of the U.S. market. All of these carriers but Jet Blue service Spokane. The FAA states that further consolidation is unlikely.

There is growing pressure on regional carriers as there are fewer contracts with the remaining dominant carriers. Mainline carriers have more contracts more favorable to bottom lines, while regional carriers are facing pilot shortages and tighter regulations regarding pilot training.

The trend by airlines in collecting ancillary fees continues. Carriers generate revenues by selling products and services beyond the airline ticket. The un-bundling of services from the airline ticket price in prior years included checked bags, on-board meals, and flight change fees. In more recent years, airlines have added fees for boarding priority and internet access. Airlines are further segmenting passengers into more discreet categories by charging for comfort amenities such as seat pitch, leg room, access to social media outlets.

Looking ahead, the 2017 FAA forecast calls for US air carrier passenger growth over the next twenty years to average 1.9% per year, lower than last year's forecast. The decline in the price of oil in 2015 and 2016 was a catalyst for higher passenger growth forecasts. The FAA predicts an increase in oil prices in its twenty-year analysis keeping their forecast passenger growth lower than in past years.

A growing issue facing carriers, the FAA, and airports is the proliferation of unmanned aircraft systems (UAS), popularly called "drones," of various sizes and complexity. Over 626,000 owner-hobbyists had registered equipment weighing less than 55 pounds online by December 31, 2016. The FAA recognizes the uncertainty in measuring the actual number of units, so the agency is using estimated growth rates. In



early February the compound annual rate was estimated at 68% for these types of craft. Commercial UAS operators registered 44,000 units by April 1, 2016. The FAA's forecast for these commercial units is estimated to be 10 times higher by 2021. Through regulations and rule making, the FAA will continue to safely integrate the UAS into the National Airspace System.

As annual efforts continue in Congress to pass longer term FAA reauthorization bills, the airport industry, particularly small and non-hub airports, remain exceedingly concerned about cost shifts from other agencies to airports and methods of financing capital improvements in order to address ongoing safety, security, and capacity needs. In addition, the administration's attempt in 2013 to close the nation's federally contracted Air Traffic Control Towers and more recent efforts to close 57 sites in the Contract Weather Observer program, including Spokane, has created a sense of urgency to ensuring airport needs are met in future FAA Reauthorization bills.

Spokane's specific interests are wide ranging: modernization of the PFC program, protection of the Airport Improvement Program, Alternative Minimum Tax (AMT) effects on financing mechanisms, the Small Community Air Service Development Program, pilot shortages, Federal Contract Tower program, the Contract Weather Observer program, the impacts of Unmanned Aviation Systems (UAS) or Vehicles (UAV) and general FAA regulatory overreach.

### **Local Air Service**

The SIA market area does not have significant overlap with other market areas of commercial service airports in the region, which limits the leakage of passengers to competing airports. SIA is the primary provider of commercial air transportation in and out of Northeastern Washington and Northern Idaho. Pullman-Moscow Regional Airport is 75 miles south of Spokane and has direct passenger service only to Seattle. The closest airport serving nationwide passengers is the Tri-Cities airport (PSC) located in Pasco, WA, approximately 135 miles to the southwest. PSC has direct flights to Seattle, Portland, San Francisco, Minneapolis/St. Paul, Denver, Salt Lake City, Los Angeles, Las Vegas and Mesa, Arizona. Other airports with passenger service include the Missoula, MT airport (MSO) located approximately 200 miles to the southeast, large hub Seattle Tacoma International Airport (SEA) approximately 300 miles west and large hub Portland International Airport (PDX) approximately 350 miles southwest of Spokane.

The Airport's primary air service objectives include retaining all existing scheduled passenger service and adding new nonstop service, increasing frequency (take-offs / landings) and capacity (seats) in existing markets and to add new and existing destinations through incumbent and new entrant carriers. As of December 31, 2017, there were five airlines providing regularly scheduled services at SIA: Alaska Airlines (including Horizon), American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines. In 2017, Alaska carried 36.3% of enplaned passengers (down from 41.8% in 2016); Delta carried 23.4% (down from 24.1%), Southwest carried 23.8% (up from 23.6%), United carried 10.6% (up from 6.6%), and American carried 5.7% (up from 3.7%).

In 2017, five new nonstop city-pairs were added by the airlines. In June, Southwest Airlines commenced seasonal service to San Diego through September. United Airlines started service to San Francisco and Chicago O'Hare. In July, American Airlines started service to Dallas-Fort Worth. In August, Southwest Airlines began service to Sacramento.

With these additions, sixteen destination airports were served nonstop from SIA during 2017, including Boise, Chicago-Midway (seasonal), Chicago-O'Hare, Dallas-Fort Worth, Denver, Las Vegas, Los Angeles, Minneapolis, Oakland, Phoenix, Portland, Salt Lake City, Sacramento, San Diego (seasonal), San Francisco, and Seattle-Tacoma.

With the market response to additions in seat capacity and destinations, SIA's 2017 total passenger count set a new record increasing 9.8% over 2016 to 3,550,912 and eclipsing the previous record set in 2007. The 2017 increase in total passengers followed a 3.2% increase in 2016 and a 4.9% increase in 2015.

This trend continues into 2018 with Southwest Airlines starting daily service to San Jose, CA on April 8 and Frontier Airlines starting service to Denver on April 30, 2018. The addition of these new flights continues to increase the number of available originating seats and is a good indication of forward growth in passenger activity over the previous year.

Along with the sixteen non-stop cities served, 370 domestic and 65 international cities are accessible from Spokane with only one stop. The Airport continuously develops marketing strategies to attract air service to new destinations from existing or new carriers. Routes targeted for non-stop service include Atlanta, Calgary, year-round San Diego service, additional Los Angeles basin service, as well as an East Coast hub in the mid-Atlantic region.

The financial condition of the Airport is highly dependent upon the number of passengers using the Airport. Passenger levels, in turn, are dependent upon several factors. Those factors include the economic conditions of the airline industry which influences the airlines' willingness and ability to provide service; the available seat capacity offered by carriers who serve our market; the local economy which influences the willingness and ability of consumers to purchase air travel; along with the cost of air travel. When considering the factors with many influences outside the control of the Airport, continued moderate growth in traffic is anticipated for the foreseeable future.

## **Major Initiatives**

### **Capital Improvement Program**

The overall guiding document in the development of SIA, ABP and Felts Field is the Airport Layout Plan (ALP) supported by a Master Plan document. The ALP is a graphical illustration of the Master Plan. The ALP is the document, approved by the FAA and City and County, which directs development of Airport facilities to accommodate projected demand and forecast growth. Additional information on the Master Plan may be found in Long Term Financial Planning later in this letter.

The Capital Improvement Program (CIP) is developed from the ALP and other external drivers of projects and is updated annually. The purpose of the CIP process is to evaluate, prioritize, and coordinate proposed projects for a three to five-year period. Projects that may require FAA funding in the future are updated with the FAA annually. The projects developed through the planning process may not only require the use of Federal funding, but also State grants, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), short and long-term debt, and funds or cash flow generated by operation of the Airport.

The primary goal of the CIP is the development of a detailed capital budget for the current fiscal year and a plan for capital development during the four subsequent years. By updating and approving the CIP, a strategy and schedule is set for budgeting capital investment at SIA, ABP, and Felts Field.

#### ***Fiscal Year 2017 Substantially Completed Construction and Other Projects at SIA:***

<b>Project</b>	<b>Cost</b>	<b>Funding Source(s)</b>
In-Line Baggage Explosive Detection Conveyor System Upgrades - SIA	\$ 4.6 M	TSA Other Transactional Agreement
Rehabilitation of Apron Areas - SIA	6.8 M	AIP & General Airport Revenues
Vehicle and Equipment Additions	785,000	General Airport Revenues
Rental Car Access Road Improvements	708,000	General Airport Revenues & CFCs
Parking Revenue Control Upgrades	623,000	General Airport Revenues
Other Airport Drive Improvements	496,000	General Airport Revenues
Other Airfield Improvements	397,000	General Airport Revenues
Other Parking Improvements	331,000	General Airport Revenues
Other Terminal Improvements	277,000	General Airport Revenues
Property Acquisitions	216,000	General Airport Revenues

#### ***Fiscal Year 2017 Substantially Completed Construction and Other Projects at Airport Business Park:***

<b>Project</b>	<b>Cost</b>	<b>Funding Source(s)</b>
Vehicle and Equipment Additions	\$ 208,000	General Airport Revenues
Building Improvements	67,000	General Airport Revenues



***Fiscal Year 2017 Substantially Completed Construction and Other Projects at Felts Field:***

<b>Project</b>	<b>Cost</b>	<b>Funding Source(s)</b>
Property Acquisitions	\$ 809,000	General Airport Revenues
Airfield Improvements	678,00	General Airport Revenues
Building Improvements	54,000	General Airport Revenues

***Fiscal Year 2017 CIP and beyond at SIA and Felts Field - Continuing and Budgeted New Projects:***

<b>Project</b>	<b>Estimated Cost</b>	<b>To-Date Costs Incurred</b>	<b>Funding Source(s)</b>
Runway 7/25 Improvements - SIA	\$ 14.9 M	\$ 428,000	AIP & General Airport Revenues
Airport Security Projects - SIA	11.0 M	546,000	PFC - 10
Terminal Improvements - SIA	5.2 M		PFC - 11
Hangar Design / Construction - FF	5.0 M	281,000	Debt Issuance - General Airport Revenues
In-Line Baggage Explosive Detection Equipment - SIA	4.5 M		TSA Other Transactional Agreement
Parking and Landside Road Improvements - SIA	4.5 M		Debt Issuance - General Airport Revenues
C-Store Site Improvements - SIA	3.6 M	1.6 M	General Airport Revenues
TREX Design to 30% - SIA	2.9 M	3,000	PFC
Car Rental Improvements - SIA	2.8 M		CFC
Railway Trunk Extension - SIA	2.5 M	121,000	State Appropriations - General Airport Revenues
Terminal Elevator Upgrades - SIA	2.2 M	1.8 M	PFC - 10
Airfield Equipment - SIA	2.0 M		PFC - 11
Future Aircraft Fuel Facility Site - FF	1.5 M	58,000	General Airport Revenues
Runway Pavement Sensors - SIA	1.0 M		PFC - 11
Land Acquisitions - SIA & FF	528,000		General Airport Revenues
Equipment Purchases - SIA / ABP / FF	350,000		General Airport Revenues
Master Plan - FF	660,000	5,000	AIP - General Airport Revenues

**Major Maintenance Program**

The staff recommends and the Board approves numerous maintenance programs as part of each year's budget process. Maintenance projects require funding from general airport revenues. Such projects entail the repair and maintenance of the physical assets of the Airport and are not capitalized as fixed assets. As part of the budgeting process, department heads identify, evaluate, prioritize, and coordinate proposed projects for a two to five-year period. Maintenance items deferred in previous years will continue to be addressed each year on a more appropriate basis.

In 2017 the Airport removed old, unused, roadways in the ABP to reduce trespassing and eliminate maintenance expenses. The Airport utilized the removed roadway materials to build a landscaped berm near the aviation fuel facility. Other significant maintenance projects at SIA related primarily to crack sealing of taxiways, replacing runway and taxiway markings, and rehabilitating and repairing airfield perimeter roads.

## **Federal and State Funding**

The Airport is a recipient of funds from the FAA's Airport Improvement Program (AIP), which provides grants from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grant amounts received under this program in fiscal year 2017 totaled \$5.8 million for SIA and \$177,000 for Felts Field. Projects ongoing at SIA and Felts Field have an additional \$12 million and \$574,000 committed by the FAA for fiscal year 2018 respectively. SIA utilized Other Transactional Agreements (OTA) with the Transportation Security Administration in 2017 in the amount of \$4.3 million with another \$1.2 million committed over the next year for upgrades to the In-Line Baggage Explosive Detection System noted above. The Airport utilizes state grants as they are available. In 2017, state grants utilized at SIA and Felts Field totaled \$123,000. The State of Washington has committed \$2.0 million of appropriations for SIA in 2018 to extend a trunk rail line further into Airport owned property.

## **Passenger Facility Charge (PFC) Program**

A PFC is a local user fee paid by passengers to generate revenues for airport projects that preserve or enhance safety, security and capacity, or enhance competition among and between air carriers or mitigate noise impacts. Airports using PFCs must apply to the FAA and meet specific requirements set forth in the enabling legislation. Airport operators may impose PFCs only after receiving written approval and authorization from the FAA. The current PFC, set at a maximum of \$4.50 per enplaned passenger, is expected to continue generating between \$6 million and \$7 million annually and is approved to replace airfield snow removal equipment, increase airport security, and complete improvements to the airfield and passenger terminal buildings.

## **Leasing and Business Development Activity**

The Airport and the signatory airlines along with the two principal freight carriers participated in discussions during late 2014 and early 2015 regarding a new use agreement. Subsequent to those discussions, the Airport's residual airport use agreement with its signatory airlines was extended through December 31, 2017 with minor modifications. The agreed upon extension also included an extra year's extension to December 31, 2018 which was executed by the carriers and the Airport in October 2017 by mutual consent. All five of the passenger carriers at SIA operate as signatories to the agreement. The two air cargo companies, Federal Express (FedEx) and United Parcel Service (UPS) have agreements that are similar in nature to the passenger air carriers.

Nine rental car brands operate on-site providing services to travelers. The nine brands are Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless and Thrifty. A new lease and concession agreement with the agencies owning the brands was completed during 2017 for a five-year period which will expire September 30, 2022.

Two significant aircraft maintenance companies serve as the cornerstone of the Aerospace and Maintenance, Repair and Overhaul (MRO) cluster. One of these companies, International Aerospace Coatings (IAC) formerly known as Associated Painters, Inc., leases one building along with leasing adjacent land where they have constructed a second paint hangar that opened in June 2014. IAC is a world leader in specialist aviation painting with locations in the United States and Europe.

Aero-Flite, Inc. has located their main offices, headquarters, and aerial firefighting fleet in Spokane. Aero-Flite is a private company providing contracted firefighting aircraft and crews to the US Forest Service.

As of year-end, SIA currently has a Fixed Base Operator (FBO), operating as Signature Flight Support. Signature provides general aviation and charter aircraft support, pilot support, fuel, and aircraft storage. Signature also provides fueling services for the commercial airlines and cargo carriers serving SIA.

Other aviation businesses operating at SIA include Absolute Aviation, Horizon Air Industries, Empire Airlines and Merlyn Products. Absolute Aviation provides aeronautical equipment repair services. Horizon Air Industries leases space on the airfield to operate an overnight (8PM - 8AM) maintenance base and performs routine inspections on their Q400 aircraft. Horizon also leases space for a regional Ground Support Equipment (GSE) repair and maintenance base. Empire Airlines, FedEx's largest feeder, leases a hangar facility and maintains their fleet of single engine Cessna 206 "Caravan" aircraft. Merlyn Products designs, builds, installs and tests new lightweight, more efficient aircraft components.

The Aerospace Initiative for Recruitment (AIR) Spokane is comprised of the leadership from the City of Spokane, Spokane County, Avista Corp., Spokane International Airport, the Community Colleges of Spokane, and Greater Spokane Incorporated. AIR Spokane is focused on recruitment, retention and expansion of the aerospace industry segment focused on the identified strengths of the region to support aircraft interiors, aero-structures, aluminum production and fabrication as well as engineering design centers.

The Airport's role in AIR Spokane is two-fold. First, the Airport is the gateway to the global aerospace marketplace and plays a supporting role in retention, expansion and recruitment of aerospace businesses. Second, the Airport's significant land holdings can support development of a variety of aerospace businesses that benefit from close proximity to the Airport as well as proximity to rail and highway transportation networks. Targeted recruitment and siting of aerospace business in the existing cluster and near the Airport may allow for additional opportunities for assembly of larger components for OEMs and contribute to Airport revenues through land sales or leases, contribute to the regional economy through growth in jobs and median income, which in turn increases demand for air service.

In 2017, the City and County of Spokane executed an Interlocal Agreement to form a Public Development Authority (PDA) for the West Plains / Airport area. The purpose of this PDA is to align resources and services to facilitate development on and around the Airport consistent with the Airport Layout Plan, Aerospace Supply Chain Study, the work of AIR Spokane and other initiatives. The Airport has representatives participating as Board Members of the PDA to assist in directing the operations of the PDA.

In the Airport Business Park, activities vary from waste incineration and recycling collection, manufacturing, general office space and a corrections facility. The City of Spokane's Waste to Energy plant is adjacent to a single stream recycling facility operated by Waste Management, Inc. These operations are located on airport property and the operators lease property from the Airport. Various companies lease entire buildings from the Airport, while others lease configured office space inside of multi-tenant buildings. Spokane County operates the Geiger Corrections facility in the Business Park under a lease agreement.

The FBO at Felts Field is Western Aviation. Western provides aircraft maintenance and fuel dispensing. Northwest Flight Service provides flight school training, along with aircraft and avionics maintenance services. Spokane Turbine Center (STC) leases land for their two buildings where they operate a private aircraft maintenance school and pilot training center. A for-profit subsidiary of STC, Parkwater Aviation, provides recurrent pilot training on Quest Aviation's Kodiak turbo-prop driven aircraft for Federal agency and corporate aviators. Both Western Aviation and Spokane Turbine Center have been expanding their facilities and operations. Rocket Engineering provides aircraft modification services. Inland Helicopters provides flight services and pilot training. Life Flight Network operates the region's premier critical care transport service. The Spokane Community College operates an aviation maintenance program out of two buildings with airfield access at the airport.

The overall impact of activities at SIA, ABP, and Felts Field are outlined in an Economic Impact of Spokane International Airport study undertaken by Eastern Washington University's Institute for Public Policy & Economic Analysis. The study shows the total value added enabled by the Airport totaled over \$754 million. Also shown are direct impacts in terms of nearly 4,600 jobs at SIA, over 1,000 at the ABP, and nearly 300 at Felts Field. The related labor income representing wages, benefits, and proprietor income is over \$250 million annually.

### **Customer Service**

Airport management and staff focus on providing excellent customer service. The Airport regularly utilizes on-site passenger surveys and "secret shoppers". These surveys and input from the secret shoppers indicate that on-going enhancements to the passenger experience are needed at the airport. Each year since 2012 the airport has added programs to improve the passenger experience. Fiscal year 2017 saw continued focus with the following customer service initiatives at SIA:





- Parking Quick-Pay Stations were installed at three locations in the terminal enabling passengers using Airport parking lots to pay, with a credit card, for their parking. By paying for parking in the terminal while gathering their baggage, before going to their car, passengers have a designated exit lane expediting the exit process.
- Concessions were enhanced in the central Rotunda servicing Delta, Southwest and United Airlines by replacing two former food choices with a national brand Burger King location. The move to the fast food provider facilitated more convenient breakfast choices in the peak morning departure window, while providing a nationally known brand throughout the entire operational day.
- Concessions were also enhanced in the upper C Concourse area servicing Alaska and American Airlines. A single food concession was replaced by two options, a Starbucks and a sit-down restaurant option.
- Improvements to Inbound Road Signage began in 2017, with completion scheduled for mid-2018. The signage improvements will better direct travelers to available parking and airline locations along the terminal front.
- Site preparation work developing a location for a future convenience store and gas station began in 2017 with work to construct entrance and exit lanes to the site to be completed in 2018. The Airport is actively marketing the site to attract a local or national operator.



- Preliminary siting work, lease agreement, and predevelopment plans to locate a national branded hotel on Airport property were undertaken in 2017, with the goal to begin construction in 2018.
- The former Airport Parking Office was renovated into the Executive Conference Center which is available for rental by tenants and the public.
- Installation of the NextBus Transit Management System occurred in December of 2017 and testing continues into 2018. Upon implementation, NextBus will provide information on the location of the Airport's Economy Lot Shuttle for passengers waiting to be picked up at locations in the terminal.
- With the significant increase in passengers in 2017, demand for parking is increasing and at times exceeded capacity in certain lots. Designs for additional Surface Parking Lots began in late 2017 with construction scheduled for 2018 to increase the number of parking spaces.

## Community Involvement and Partnerships



SIA is a major economic engine and a critical transportation hub for the region. As such, it provides important opportunities for both businesses and employment. Strategic partnerships combined with sustained and consistent communication of the Airport's current and future plans, programs, and economic development potential is critical to our success.

Accordingly, the Airport continues to increase its community involvement. Strategic alliances have been formed with Greater Spokane Inc. (GSI), VisitSpokane, the Coeur d'Alene Chamber of Commerce, the West Plains Chamber of Commerce, the Spokane Valley Chamber of Commerce, the Downtown Spokane Partnership, the Hayden (Idaho) Chamber of Commerce, and the Post Falls Chamber of Commerce.

The Airport also provides a platform to promote economic development of air service through involvement with community events such as Millwood Daze, the Coeur d'Alene Triathlon, the Spokane Lilac Festival and Torchlight Armed Forces Parade, Honor Flights, Fantasy Flight, the Cheney Jubilee, the Festival at Sandpoint, the Hayden Marathon, the Coeur d'Alene Wooden Boat Show, Eastern Washington, Washington State and Gonzaga University athletics, Valleyfest, and Neighbor Day events at Felts Field.

Travelers passing through the Airport see promotion of local events such as Bloomsday, the Pacific Northwest Volleyball Qualifying Tournament, Hoopfest, and NCAA athletics. The Airport Board members, employees of the Airport and its tenants volunteer their time serving on civic boards and supporting charitable causes.

## Financial Policies and Practices

### Internal Control Environment

The Airport is responsible for establishing and maintaining internal controls. Internal controls are processes designed to provide reasonable assurance the Airport's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP, as promulgated by the GASB. Internal controls, regardless of design, can provide only reasonable, but not absolute, assurance that these objectives are met. As a recipient of federal and state financial assistance, the Airport is also responsible for ensuring that adequate internal controls are in place for documenting compliance with applicable laws and regulations related to these programs.

The achievement of the objectives defined by internal controls is affected by limitations inherent to the controls. Some of these limitations can include faulty human judgment in the decision-making process, common errors and mistakes, the circumventing of controls by collusion by two or more people, and management override of controls. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

We believe the Airport's internal controls more than adequately meet the objectives listed above and Airport staff spends considerable time reviewing and refining the control environment as all internal control processes are subject to periodic evaluation by management.

### Budgetary Controls

In preparing the annual budgets a Rate Book is assembled and is presented to the Airport Airline Affairs Committee (AAAC) for review. The Rate Book is a document with multiple exhibits describing the operating

and capital budgets for the Airport. The annual budget is prepared separately for each operating area of the Airport (SIA, ABP, and Felts Field) by cost centers. The Rate Book is then refined into the Airport's annual budget and is presented to and approved by the Airport Board, the City and the County prior to December 1 for the following year. The annual budget serves as a foundation for financial planning and control. Department heads monitor their expenses compared to budget for the current year and confer quarterly with the Director of Finance with analysis of significant variances from budgeted amounts. All unused budgeted expenses lapse at the end of each fiscal year.

The budget of SIA is currently based on a residual approach and forms the basis of the contractual relationship with signatory airlines and cargo carriers. A residual approach is only one basis of contractual relationships with air carriers and can change upon expiration of agreements.

### **Long-Term Capital Financing and Debt Management**

One of the tools the Airport uses for long-term planning is the Master Plan. A Master Plan details long range plans of an airport on the basis of forecasts of aviation activity, potential environmental effects, community compatibility, and financial feasibility typically looking twenty years or more into the future. It was recently prepared in 2014 with the input of the board, staff, signatory airlines, other key tenants and stakeholders, community leaders, and the general public. The Master Plan consists of a technical report that specifies the logic and reasoning for the proposed capital improvements. Also included in the Master Plan is an updated Airport Layout Plan (ALP). The ALP is developed to meet FAA approved demand forecasts in airfield, landside, and terminal facilities along and includes numerous technical drawings. The ALP is typically reviewed and validated every two to seven years with minor changes approved through "pen and ink" revisions by the FAA after each major construction project. The FAA uses the ALP to assist in awarding funding for future projects through the AIP or PFC programs.

A Master Plan update for Felts Field was last completed in 2003 and work began in 2017 on an update. A study of the Felts Field Terminal area was completed in 2010 in preparation of future development at the airfield.

The ALP also forms the basis for a multi-year capital improvement plan (CIP), which is updated on a regular basis and submitted to the FAA annually. The CIP typically contains at least three to five years of projections, longer if necessary for a particular need. CIP assumptions are based on the best information available of needs on a project-by-project basis extending through the planning horizon. The financial implications of future projects serve as the basis for requesting federal funds for the construction of capital improvements proposed.

Capital improvements requiring long-term financing are typically funded using either general airport revenues or airport revenue bonds. The Airport is not permitted to issue bonds on its own; rather the joint approval of the City and the County is necessary. The actual bonds are then issued by Spokane County. Capital financing strategies are part of the Master Plan development process as projects become more defined.

The Airport redeemed a 2005 debt issuance due to mature in 2024 on June 22, 2017. The Airport also defeased a 2008 debt issuance due to mature in 2018 on the same date. The reduction in outstanding debt favorably positions the Airport for future debt financed development and saved future interest costs. The Airport did not issue any new long term debt in 2017.

Capital projects for fiscal year 2017 were financed through a combination of FAA grants, PFC funds, CFC funds, TSA's Other Transactional Agreements (OTA), and internal financing from unrestricted funds. Future capital planning will involve continued use of FAA and state grants, TSA OTAs, bonding opportunities, the use of long and short-term financing, and internal funds. Detailed information on long-term debt may be found in the financial section (Note 6) of this report.

### **Acknowledgements**

The publication of this CAFR is a reflection of the level of excellence and professionalism of the Airport's Finance and Accounting Department. The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Spokane Airport Board for its comprehensive annual financial report for the fiscal year ended December 31, 2016. This was the sixth year in a row the Airport achieved this award. In order to be awarded a



Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

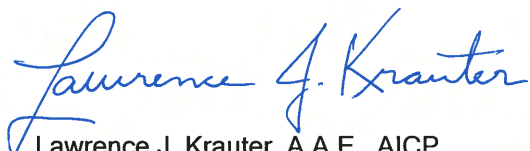
In 2017, the Washington State Auditor's Office awarded the Airport their Stewardship Award. The award represents an appreciation for the culture of accountability as well as encouraging a knowledgeable work force and strong internal control processes. These processes ensure compliance with accounting standards, federal grant requirements and state law.

We also wish to thank each Board Member for lending their expertise, time and talent in the provision of oversight and support of the staff's efforts to conduct financial operations of the Airport in a responsible and progressive manner that meets our multiple strategic mission objectives.

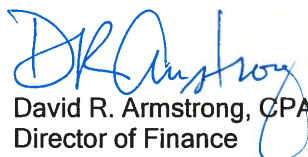
### Requests for Information

This financial report, along with the audited financial statements, is designed to provide a general overview of Spokane International Airport, the Airport Business Park, and Felts Field. Questions concerning the information contained in this report should be addressed to Dave Armstrong, CPA, Director of Finance, 9000 W. Airport Drive, #204, Spokane, Washington 99224.

Respectfully submitted,



Lawrence J. Krauter, A.A.E., AICP  
Chief Executive Officer



David R. Armstrong, CPA, CM  
Director of Finance



Government Finance Officers Association

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**Spokane Airport Board  
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For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

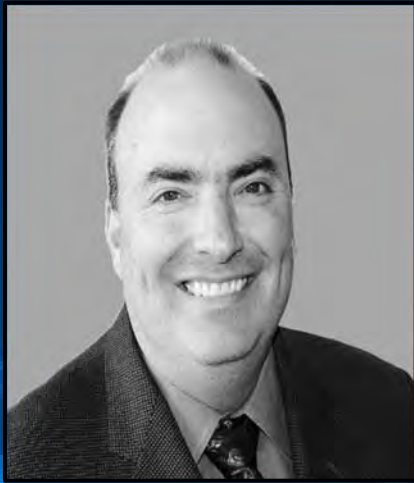
**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO



# Spokane Airport Board



MAX KUNEY  
CHAIRMAN



COLLINS SPRAGUE  
VICE CHAIR



NANCY VORHEES  
SECRETARY



EZRA ECKHARDT



BEN STUCKART



AL FRENCH

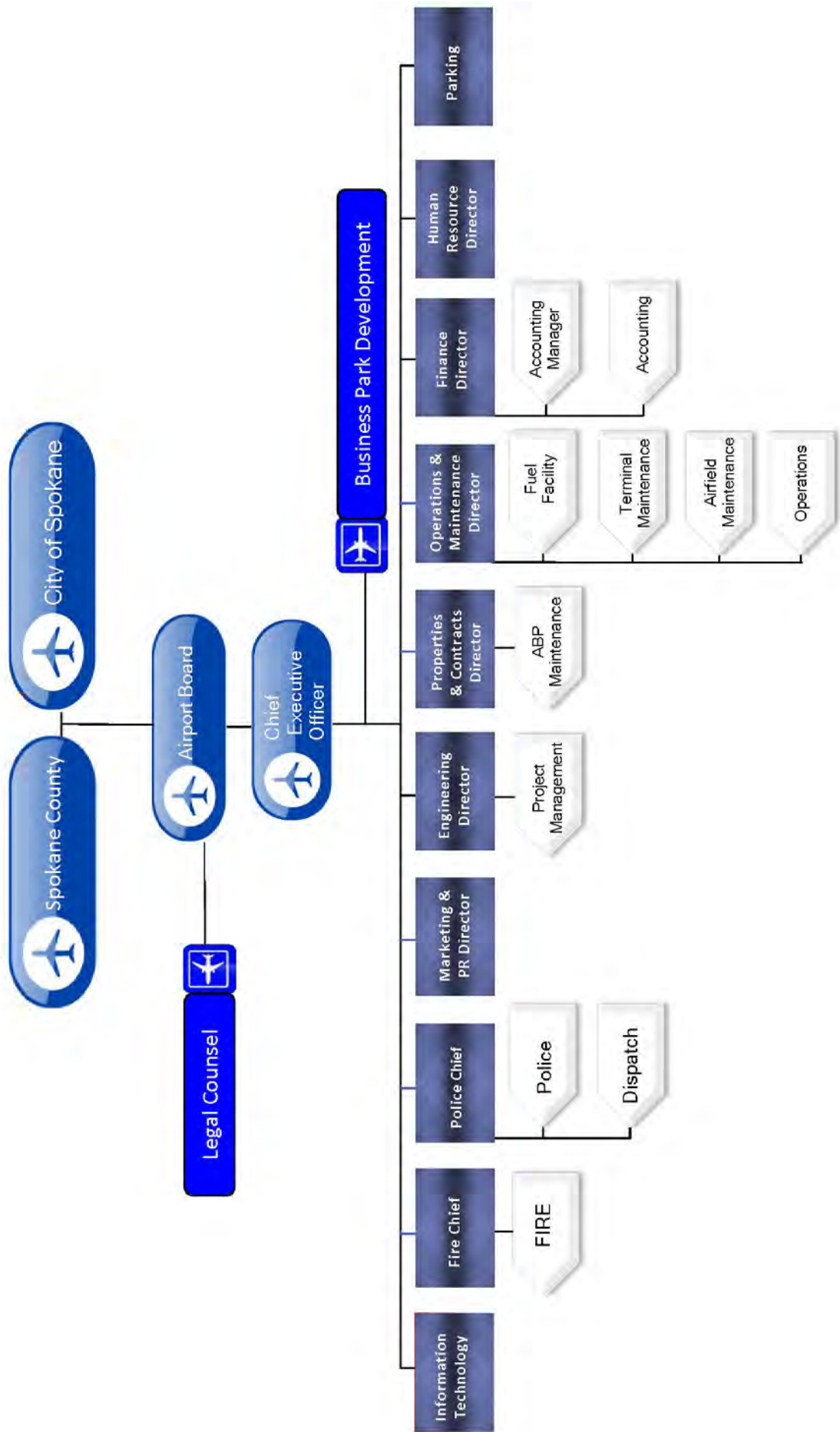


JENNIFER WEST



# SPOKANE AIRPORT BOARD

## ORGANIZATIONAL REPORT



# Connecting you to Ideas



Financial Section

## **Report of Independent Auditors**

The Board of Directors  
Spokane Airport Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Spokane Airport Board (Airport), a joint venture of the city of Spokane, Washington, and Spokane County, Washington, which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### ***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 an opinion on these financial statements based on our audits. We conducted our audits 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 entity'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 entity'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 opinion.



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2017 and 2016, and the respective changes in its net position and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Pension, and Other Postemployment Health Care Benefits 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2018, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Airport's 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 Airport's internal control over financial reporting and compliance.



Spokane, Washington  
June 14, 2018

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of the activity and financial performance of Spokane International Airport (SIA), the Airport Business Park (ABP), and Felts Field, collectively known as the Spokane Airport Board or the Airport. It serves as an introduction to, and provides understanding of, the basic financial statements for the year ended December 31, 2017, with selected comparative information from the years ended December 31, 2016 and December 31, 2015.

SIA, ABP, and Felts Field receive no tax revenues and do not have the authority to levy taxes. These facilities are jointly owned and operated by the City and County of Spokane (the City and County) through the *Airport Joint Operation Agreement*. Spokane International Airport serves as the region’s commercial service airport and provides domestic scheduled passenger and cargo air service connectivity for the market area that stretches as far as Lewiston, ID to the south and British Columbia and Alberta, Canada to the north. The market area also reaches out to the foothills of the Cascades to the west and into western Montana to the east. Felts Field serves as a designated general aviation reliever airport for Spokane International Airport and is the highest-capability general aviation airport in the region, with instrument approaches and a federal contract tower. The Airport Business Park is home to several regionally significant facilities such as the Waste-to-Energy plant, Geiger Corrections Facility, Waste Management Recycling Center, Regional U.S. Postal Service Regional Processing and Distribution Center, as well as a number of tenants that include regional banks, small businesses, and other government agencies.

The three operating areas are self-supporting with resources obtained from lease revenues, user fees, parking revenues, federal and state grants, Other Transactional Agreements and facility charges. Expenses are controlled and monitored in accordance with budget requirements. The facilities have consistently met all financial obligations.

**AIRPORT ACTIVITIES AND HIGHLIGHTS**

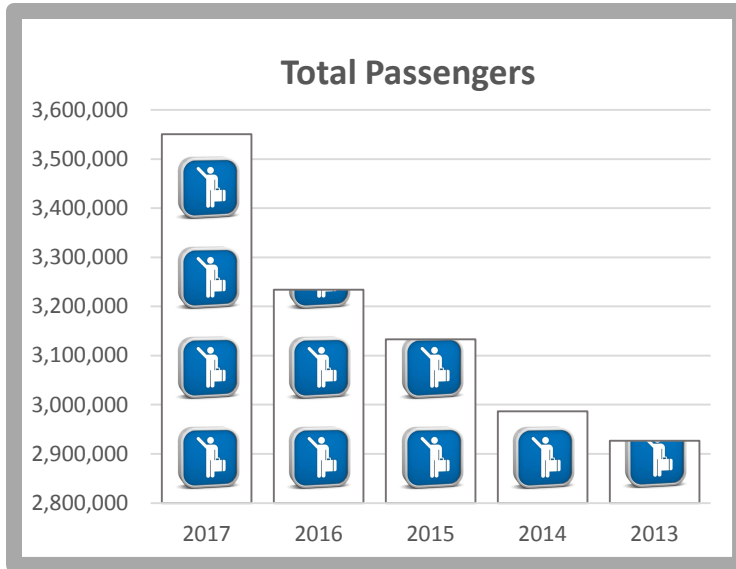
**Passenger, Operations and Cargo Highlights:**

According to the latest available data from the Federal Aviation Administration, SIA ranks as the 72nd busiest US airport for passengers and 51st busiest in terms of cargo. The principal services provided by the Airport have been related to passenger origin and destination traffic. The Airport is defined by the FAA as a small air traffic hub, an Airport which handles between 0.05 percent and 0.249 percent of the enplaned passengers by U.S. air carriers nationwide.

Passenger, Cargo (including amounts by passenger air carriers), and Operations statistics are as follows:

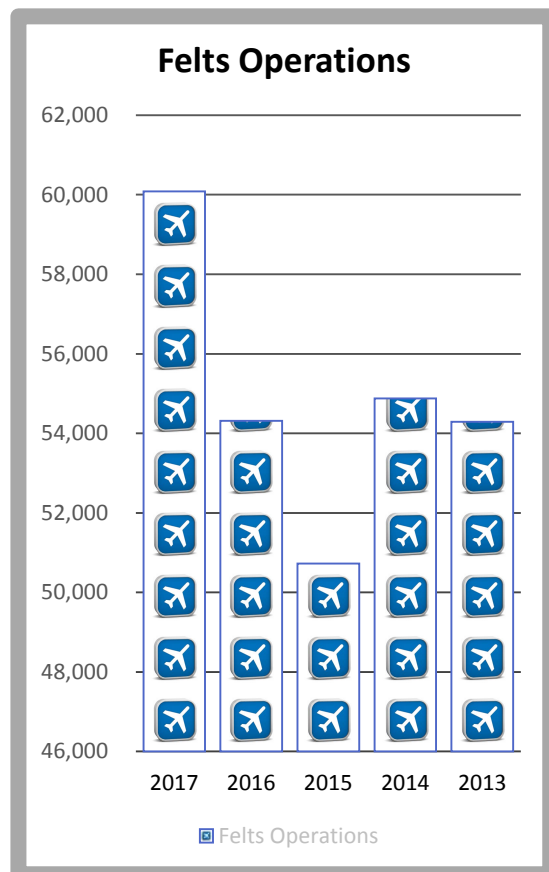
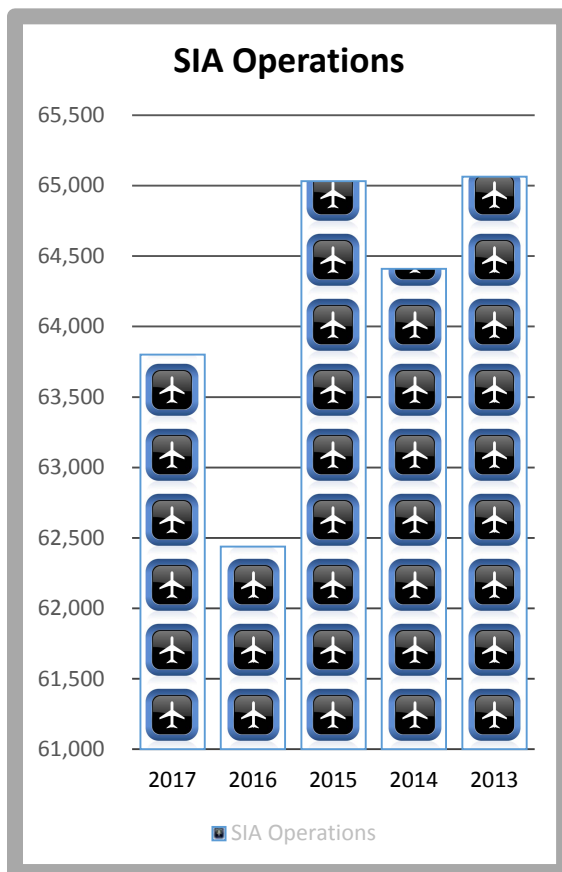
<b>Summary of Operations</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Passengers	3,550,912	3,234,095	3,133,342
SIA Cargo (tons)	72,099	67,525	66,375
Felts Field Cargo (tons)	277	152	95
SIA - Operations	63,801	62,439	65,032
Felts Field - Operations	60,084	54,313	50,729

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**



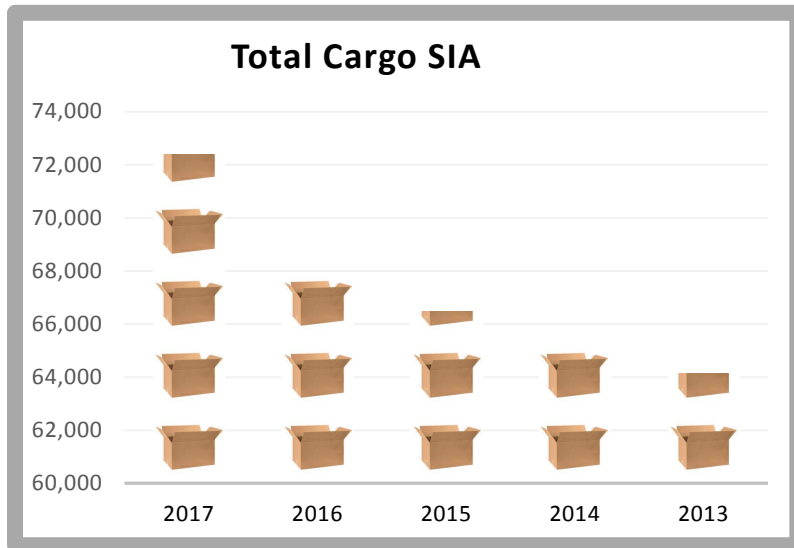
Total passenger traffic in Spokane in 2017 showed the fourth consecutive year of an increase over the prior year, and became the highest year of passenger traffic ever surpassing 2007. The Inland Northwest has a tendency to be insulated from wild swings in passenger traffic, however 2017 saw an increase of 9.8% over 2016 following the 3.2% increase in 2016 over 2015.

The year 2017 saw an increase in operations (takeoffs and landings) at SIA of 2% over 2016 after a 4% decrease in 2016. In 2017, there was an addition of 5 new destinations causing the increase in operations. Prior to 2017, airlines were adjusting their fleet mix and capacity landing fewer, but larger capacity, aircraft. The increase in available seats due to the changes in destinations and aircraft mix led to the increases in total passengers in 2017 and 2016. Late in 2016, a general aviation flight school moved its operations from SIA to Felts Field, consequently operations at Felts Field increased 10.6% in 2017 over 2016, while 2016 increased 7.1% over 2015. Combining both airports, operations were up 6.1% in 2017.





## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS



Mail and cargo traffic continues the positive trend shown at SIA in recent years with an increase in 2017 over 2016 following the increase in 2016 over 2015. The increase in 2017 is due to an increase by both freight carriers, United Parcel Service (UPS) and FedEx, along with increases in cargo carried by the passenger carriers. The increase in 2016 was due primarily to the increase in freight activity handled by UPS.

### FINANCIAL STATEMENTS

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The objective of the GASB in developing the reporting standards is to “enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative, and oversight bodies and investors and creditors.”

The Airport is structured as a single enterprise fund with revenues recognized when they are earned. Expenses are recognized when incurred. Capital assets are capitalized and depreciated, except land and construction in progress, over their useful lives. Please refer to Note 1 to the financial statements for a summary of significant accounting policies.

The Basic Financial Statements and Required Supplementary Information consist of Management’s Discussion and Analysis (MD&A), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

This MD&A has been prepared by management and should be read in conjunction with the financial statements and the notes, which follow this section. The notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The *Statement of Net Position* reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of year-end. Changes in Net Position over time are an indicator of whether the Airport’s financial condition is improving or declining.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing the change in net position during the year, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* compares the operating results of 2017 to 2016 with the associated inflows and outflows of cash and cash equivalents. A reconciliation is provided within the statement to assist in understanding the effects on cash related to different activities.

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

Below is a Summary of the Statement of Net Position:

<b>Summary Schedule of Net Position</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current Assets	\$ 37,820,736	\$ 35,261,154	\$ 37,117,418
Noncurrent Assets			
Other Noncurrent Assets	23,909,284	19,997,073	13,977,546
Capital Assets	260,826,383	263,714,060	270,723,339
Total Assets	322,556,403	318,972,287	321,818,303
Deferred Outflow of Resources - Pensions	878,175	1,231,285	603,135
Current Liabilities	7,161,243	6,782,112	8,100,546
Noncurrent Liabilities			
Other Noncurrent Liabilities	11,054,735	12,437,263	11,496,951
Bonds and Other Long-Term Debt	5,042,888	8,865,617	11,546,038
Total Liabilities	23,258,866	28,084,992	31,143,535
Deferred Inflow of Resources - Pensions	1,038,072	195,476	1,018,778
Net Position			
Net Investment in Capital Assets	253,826,984	251,866,707	256,084,993
Restricted	25,778,347	23,170,196	17,228,070
Unrestricted	19,532,309	16,886,201	16,946,062
Total Net Position	<u>\$299,137,640</u>	<u>\$291,923,104</u>	<u>\$290,259,125</u>

**Assets:**

*Current Assets* increased in 2017 by 7% after a 5% decrease in 2016. The increase in 2017 is primarily related to an increase in cash, both restricted and unrestricted, and short-term investments. The decrease in 2016 is due primarily to a decrease in receivables from government agencies, the majority of which is the Federal Aviation Administration grant receivables.

*Other Noncurrent Assets* increased in both 2017 and 2016. The increase in both years primarily results from increases in restricted cash being held for future projects, namely cash collected through PFCs and CFCs.

*Capital Assets* decreased in 2017 after also decreasing in 2016. The decrease in both years is primarily a result of increasing depreciation charges due to the significant capital asset additions in the recent past years along with the disposal of certain assets with remaining book value. The increase in accumulated depreciation is somewhat offset by the increase in new capital asset additions and construction in process. Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements. Information regarding future commitments relating to capital projects can be found in Note 13 and 17.

*Total Assets*, combining the changes in the component assets, increased 1% in 2017 after experiencing a 1% decrease in 2016. These changes are a net result of the increases in current and noncurrent assets partially offset by decreases in the capital assets.

*Deferred Outflows* decreased in 2017 after an increase in 2016 over the prior year. The increase in 2017 and decrease in 2016 relate entirely to variances from actuarial assumptions in the Washington State

## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

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pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

### **Liabilities:**

*Current liabilities* increased in 2017 by 6% and decreased in 2016 by 16%. The increase in 2017 is primarily attributable to the prepayment of rents. The decrease in 2016 was due to the reduction of the current portion of long-term debt due within one year.

*Other noncurrent liabilities* decreased in 2017 after an increase in 2016. The changes are a result of adjustments to the Other Post-Employment Benefits of retired LEOFF Plan 1 fire fighters, the net pension liability related to the Washington State pension liabilities, and adjustments to the Environmental Liability.

*Long term debt* decreased in both 2017 and 2016. The decrease in 2017 is due to the redemption of a 2005 series bond and the defeasance of a 2008 series bond. The total reduction in long term debt due to those two items was \$3,360,000. Other reductions in long term debt, including 2016, is attributed to the normal repayment of debt service activity in the remaining long term debt instruments. The Airport issued no new long term debt in either 2017 or 2016. Additional detailed information regarding long term debt activity may be found in Note 6 to the financial statements.

*Total liabilities* decreased in both 2017 and 2016. The decreases are due primarily to the reduction in long term debt coupled changes noted in current and other non-current liabilities.

*Deferred Inflows* increased in 2017 after a decrease in 2016. The changes in both 2017 and 2016 relate primarily to variances from actuarial assumptions in the Washington State pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

### **Net Position:**

The Airport's assets and deferred outflows exceed liabilities and deferred inflows at the end of 2017 by \$299.1 million, an increase over the \$291.9 million in 2016. 2016 showed an increase over the \$290.3 million in 2015.

The largest portion of the Airport's net position, \$253.8 million in 2017, \$251.9 million in 2016, and \$256.1 million in 2015 represents the net investment in capital assets (e.g. land, buildings, machinery, and equipment less related debt). The changes from year to year correspond to the increase in capital assets and decrease in debt for the same years. See the discussion above under the Assets and Liabilities section and Note 5 to the financial statements for additional information on capital asset activity.

An additional portion of the total net position, \$25.8 million in 2017, \$23.2 million in 2016, and \$17.2 million in 2015 represents resources that are subject to restrictions from government grantors, bond resolutions, other third party agencies or State and Federal regulators on how those resources may be used. The increase in 2017 over 2016 relates to the increases in the amount of PFC and CFC amounts held for future projects (i.e. authorized collections are currently running ahead of project expenses) combined with a decrease in amounts related to debt service. The \$5.9 million increase in 2016 over 2015 is due primarily to the increase of PFC amounts held. The amount of restricted net assets does not affect the availability of other resources for future use.

The portion of total net position unrestricted increased in 2017 after a small decrease in 2016. The increase in 2017 is related to an increase in unrestricted cash and short-term investments that are designated to capital projects that were deferred in 2017 to 2018. These unrestricted net assets may be used for any lawful purpose of the Airport.



**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

The table below summarizes the effect of revenues and expenses on Net Position for the three years ended, December 31, 2017, 2016, and 2015.

<b>Summary of Revenue and Expenses</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating Revenue	\$ 36,248,352	\$ 33,095,987	\$ 30,236,523
Operating Expense	26,939,093	24,468,440	22,517,625
Operating income before depreciation	9,309,259	8,627,547	7,718,898
Depreciation expense	22,843,205	22,266,977	20,554,491
Operating income (loss)	(13,533,946)	(13,639,430)	(12,835,593)
Nonoperating Income (Expense)	10,485,544	9,644,980	9,199,025
Decrease in Net Position before Capital	(3,048,402)	(3,994,450)	(3,636,568)
Capital Contributions and Grants	10,262,938	5,658,429	8,827,247
Increase in Net Position	7,214,536	1,663,979	5,190,679
Net Position, beginning of year	291,923,104	290,259,125	285,068,446
Net Position, end of year	<u>\$ 299,137,640</u>	<u>\$ 291,923,104</u>	<u>\$ 290,259,125</u>

*Total operating revenues* in 2017 of \$36.2 million represents a 10% increase over 2016; total operating revenues in 2016 of \$33.1 million increased 9% over 2015. The primary drivers of the increases in both years were airfield landing fees driven by increased operations and fuel revenue, parking operations, and terminal revenues. The increases in parking and terminal revenues relate directly to the increases in total passengers in 2017 and 2016.

*Total operating expenses* prior to depreciation in 2017 were \$26.9 million, an increase of 10% over 2016; 2016 total operating expenses were \$24.5 million, a 9% increase over 2015. The 2017 increase corresponds directly to the increase in total passengers at SIA. Specific increases were expenses in Airfield and Landside de-icing and snow removal areas, along with the marketing of the five new direct routes added in 2017. The increase in 2016 over 2015 was due to planned increased in all areas to accelerate maintenance items previously deferred in prior years, including those in projects originally planned in 2015 and 2014.

*Depreciation* charges of \$22.8 million were recorded in 2017 after \$22.3 million was recorded in 2016, both increases over prior years. These increases relate to the amount of infrastructure and equipment additions in 2017, 2016, and years priors that have remaining useful lives and value.

*Non-operating income and expense* increased positively in both 2017 and 2016. The primary causes of the increases were a decrease in interest expense along with increases in most non-operating revenues notably interest income and the collection of CFCs and PFCs. Capital contributions and capital grant revenue of \$10.3 million in 2017 is an increase over the \$5.7 million in 2016. 2016 showed a decrease from \$8.8 million in 2015. These fluctuations in revenue is representative of the nature and timing of federal grant funding as the amount of discretionary grant revenue can vary greatly from year to year depending on the projects being planned, funded and constructed.

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

**Revenues:**

Below in a summary of revenue for the three fiscal years ended December 31, 2017, 2016, and 2015:

<b>Summary of Revenues</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating Revenues:</b>			
Airfield	\$ 5,970,732	\$ 5,352,771	\$ 4,474,681
Passenger terminal	13,484,639	12,163,996	11,549,505
Leased buildings	2,713,526	2,937,847	2,678,422
Leased areas	2,128,812	2,036,034	1,997,955
Parking and ground transportation	11,777,170	10,239,333	9,413,381
Other	173,473	366,006	122,579
<b>Total Operating Revenue</b>	<b>36,248,352</b>	<b>33,095,987</b>	<b>30,236,523</b>
<b>Nonoperating Income:</b>			
Interest income	820,159	739,299	501,573
Gain on disposal of assets	-	-	9,270
Transaction fee	3,330,079	3,191,471	3,090,745
Passenger facility charges	6,866,466	6,223,821	5,989,211
Other grant revenue	445,953	303,208	331,051
<b>Total Nonoperating Income</b>	<b>11,462,657</b>	<b>10,457,799</b>	<b>9,921,850</b>
<b>Total</b>	<b>\$47,711,009</b>	<b>\$43,553,786</b>	<b>\$40,158,373</b>

*Airfield revenue* increased in 2017 and 2016 due to an increase in landed weights at SIA along with an increase in the landing fee rate, the combination of which increased landing revenue. Also included is an increase in fuel flowage revenue in both years.

*Passenger terminal revenue* showed an increase in 2017 after another increase in 2016 over 2015. Both years' increase is primarily a result of the increase in passenger traffic affecting concession revenues such as rental cars, food, beverage, and retail sales. There were also incremental terminal rent rate increases in each year contributing to the increases in revenue.

*Building and hangar leasing revenue* decreased in 2017 after increasing in 2016. The decrease in 2017 is primarily related to the effect of prior year's insurance claim reimbursements included in 2016 revenue. The increase in 2016 over 2015 is attributable to those insurance claim reimbursements along with scheduled increases in ABP building rents.

*Land leasing revenue* activity increased in both 2017 and 2016. The increase in 2017 is related to increases in on-Airport hotel activity and a rate increase in the Rental Car Service area. The increase in 2016 is primarily related to an increases in on-Airport hotel activity.

*Parking and ground transportation revenue* increased by 15% in 2017 and 9% in 2016. The 2017 increase is directly due to the increase in passenger traffic along with a rate increase in the fee charged to commercial vehicles accessing the Airport property to pick-up and drop-off passengers. The 2016 increase is due to a combination of increased passenger traffic and continued marketing and education efforts. Marketing efforts that began in 2015 drew attention to the parking products and an on-site car wash offered by the Airport accessible from the two garages and one of the surface lots.

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

*Non-operating revenue* increased in both 2017 and 2016. The primary drivers in both years were increases in CFC and PFC revenue. CFC and PFC revenue is directly related to increased passenger activity. The CFC and PFC are restricted to specific uses and are not used to fund operations.

Also included in non-operating income is interest revenue and other grant revenue. Interest income increased both years due to increased restricted and unrestricted cash balances. Other grant revenue increased in 2017 due to a non-capital grant related to development of the Felts Field Master Plan along with a state grant for other work at Felts Field. The decrease in 2016 over 2015 was due to a small decrease in the agreement issued for law enforcement work at SIA.

**Expenses:**

Below is a summary of expenses for the three fiscal years ended December 31, 2017, 2016, and 2015:

<b>Summary of Expenses</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating Expenses:			
Airfield	\$10,673,183	\$ 9,986,991	\$ 8,281,472
Passenger terminal	5,017,850	5,026,242	4,507,214
Leased buildings	1,517,032	1,116,535	2,075,678
Parking and ground transportation	4,384,068	3,634,293	3,014,796
Administration and operations	5,346,960	4,704,379	4,638,465
Total Operating Expense	26,939,093	24,468,440	22,517,625
Depreciation expense	22,843,205	22,266,977	20,554,491
Nonoperating Expense			
Interest expense	182,682	300,324	391,774
Loss on disposition of assets	168,032	28,769	-
Loss on investments	178,761	180,518	-
Loss on redemption of bonds	1,685	-	-
Other grant expense	445,953	303,208	331,051
Total Nonoperating Expense	977,113	812,819	722,825
Total	\$50,759,411	\$47,548,236	\$43,794,941

*Airfield expenses* increased in 2017 over 2016 primarily related to increases in staffing and benefits, airfield de-icing and snow removal efforts, equipment repairs, adjustments to the environmental liability and somewhat offset by the decreased effect of Airfield Rescue and Fire Fighter (ARFF) post-employment medical and pension benefits (OPEB). The increase in 2016 over 2015 is primarily related to three things: increased airfield de-icing and snow removal, employee compensation and benefits due to the ability to fully staff certain departments, and the increased effect of Airfield Rescue and Fire Fighter (ARFF) post-employment medical and pension benefits.

*Passenger Terminal expenses* remained basically the same in 2017 when compared to 2016, whereas they increased in 2016. 2016 increased 12% primarily due to increased repairs activity, such as carpet replacements, passenger access doorways, passenger boarding bridge and baggage handling equipment maintenance. Programmed wage and benefit increases also contributed.

## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

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*Leased Building expenses* increased in 2017 due to the cost of demolition of a building at Felts Field. 2016 decreased from 2015 due the lack of any building demolitions as compared with the seven buildings removed in the prior year. The demolition of obsolete buildings allows space for development.

*Parking and Ground Transportation expenses* increased in both 2017 and 2016. The increases in both years corresponds to three primary items: the addition of curb-side security related to taxis, shuttles and other commercial vehicles, maintenance projects related to parking surfaces and equipment directly due to the two years of increased passenger traffic, and continuing emphasis on snow removal and de-icing of roads and parking lots.

*Administration and operations expenses* increased in 2017 due to increased marketing efforts for the five new destinations and flights added by air carriers, along with increased legal fees to assist in efforts related to retaining contract towers and contract weather observers. 2016 expenses were comparable to 2015 with a small increase overall due to increases in wage and benefits, legal and audit fees, and marketing efforts offset by reductions in contracted consultant costs.

*Non-operating interest expense* decreased in 2017 and 2016 and is directly related to the reduction in the outstanding balances of long-term debt.

*Other grant expense* increase in 2017 matches the increase in revenues related to the Felts Field Master Plan and Law Enforcement expenses. The 2016 expenses from 2015 related to one-time operational grant received in 2015 to conduct a traffic study.

For more information on all revenues and expenses, broken out by the three operating areas, see the Detailed Statement of Revenues, Expenses, and Changes in Net Position schedule in the Statistical Section of this report.

### **Other financial considerations**

The Spokane Airport currently maintains A+ Standard & Poor's, A+ Fitch, and A-2 Moody's ratings which are unchanged from 2016. SIA has a total debt burden in 2017 of \$3.08 per enplaned passenger compared to \$7.13 in 2016. As noted, the Airport redeemed a 2005 bond and defeased a 2008 bond reducing outstanding debt which is reflected in the low debt per enplaned passenger. These figures are lower than many similar sized airports. The actions taken in 2017 in terms of long-term debt favorably positions the Airport to approach the bond markets as future Terminal Renovation and Expansion (TRES) projects become clearer.

The basic financial structure of the Airport facilities has been very consistent over the past 30 years, with the residual based budget that has been in effect since 1984. The airline operating agreements and leases were extended through negotiations with air carriers with minor changes until December 31, 2018. The Airport and the air carriers are in discussions to modernize the master airline operating agreement past 2018.

The increase in total net position, the sufficient liquidity, the declining balances of long term debt and associated low interest rates, the strong debt service coverage and low debt burden per passenger affirm the continuing strong financial condition of the Airport. 2017 was the fourth year in a row of increased passenger traffic and the total passenger count of 2017 is the highest ever at SIA. The published schedules into 2018 by the air carriers serving Spokane show continued growth in 2018. The Airport operates with sound financial operations, a relatively low cost structure, and a careful approach to financing capital needs out of general airport funds.

### **IMPACTS ON THE FUTURE**

The Airport finances construction projects at facilities through a combination of revenue bonds, entitlement and discretionary grants received from the FAA, state grants, CFCs, PFCs along with funds from general airport operations. Currently, Congress extended the FAA's authority and provided funding through September 2018. The funding authorization included additional discretionary grant funding to be distributed to Airports. Although President Trump continues to state that one of his goals is rebuilding the nation's infrastructure, including airports, there has been no solid plan presented to accomplish that goal. Should Congress be unable to pass longer term reauthorization bills in the coming legislative sessions, the possibility of a multiple short term extensions exists, potentially disrupting the capital improvement plans of SIA and Felts field. This FAA funding issue on a long term basis within a framework of ensuring a positive future of U.S. aviation is a top priority of the Airport.



## **SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS**

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Other federal issues affecting the Airport include FAA rulemaking processes, protecting AIP funding, modernization of the PFC program, funding of the Contract Tower Program and Contract Weather Observers as well as continuing to develop regulations to monitor the increasing numbers of UAVs (drones.)

State and local issues affecting the Airport include REAL ID, minimum wage and sick leave initiatives, and the general budgetary environment of the state as it affects attracting business to the state and, specifically, the Airport. The REAL ID Act of 2005 is a federal law that requires state driver's licenses and ID cards to have security enhancements. Currently Washington's licenses do not contain the enhancements. The lack of a complying driver's license means passengers traveling domestically will have to produce another piece of ID that complies with the Act, such as a Passport.

State and local authorities have passed minimum wage and sick leave initiatives that will have an effect on the Airport's expenses. The Airport has implemented those passed initiatives and continues to monitor new issues to develop strategies to comply with any requirements and attempt to minimize the effect on its rate making methodologies and financial well-being.

At the end of 2017, there are two PFC applications with thirteen separate projects under collection authority at the \$4.50 level. Application number 11 was approved by the FAA in November of 2017 and includes projects to rehabilitate areas of the terminal building. Application number 10 was approved in 2015 with the remaining projects focusing primarily on security and capacity enhancements.

Major projects identified in the Airport Layout Plan (ALP) and the Capital Improvement Program (CIP) are included in the on-going discussions regarding grant and PFC funded projects as well as how they affect on-going conversations regarding a modernized Airline Use Agreement. The impacts to cash flow of the Airport along with the air carriers will be analyzed carefully through 2018 and 2019 as projects are brought forward.

Concentration on development of new business opportunities by improving infrastructure and marketing efforts continue to be the focus on designated non-aeronautical property at SIA as well as at the Airport Business Park.

The taxiways, taxi-lanes and ramp areas at Felts Field have been completely overhauled over the past three years taking advantage of FAA grant funding to the greatest degree possible. With the improvements made by the Airport and tenants, Felts Field has received an investment to infrastructure and is garnering attention from businesses who are contemplating locating at the field.

This financial report is designed to provide citizens, customers, bondholders, and tenants with a general overview of the Airport and to demonstrate the Airport's accountability for the funds they receive and expend. For additional information about this report or information about the Airport, please contact Dave Armstrong, CPA, CM, Director of Finance, 9000 W. Airport Drive, #204, Spokane, WA 99224.

**SPOKANE AIRPORT BOARD  
STATEMENT OF NET POSITION**

**ASSETS**

	December 31,	
	2017	2016
<b>CURRENT ASSETS</b>		
<b>Unrestricted Current Assets</b>		
Cash	\$ 111,172	\$ 108,664
Unrestricted cash and short-term investments	31,346,230	27,642,597
Accounts receivable, less allowance for doubtful accounts of 2017 \$17,138; 2016 \$16,136	3,100,331	1,533,096
Prepaid expenses and other assets	525,520	535,332
Inventory	230,120	288,480
Total Unrestricted Current Assets	<u>35,313,373</u>	<u>30,108,169</u>
<b>Restricted Current Assets</b>		
Current portion, restricted cash and short-term investments	838,892	3,173,123
Receivable from government agencies	1,668,471	1,979,862
Total Restricted Current Assets	<u>2,507,363</u>	<u>5,152,985</u>
Total Current Assets	<u>37,820,736</u>	<u>35,261,154</u>
<b>NONCURRENT ASSETS</b>		
<b>Unrestricted Noncurrent Assets</b>		
Land	20,843,688	19,818,076
Construction in process	10,907,133	7,764,229
Depreciable capital assets, net of accumulated depreciation	229,075,562	236,131,755
Total Unrestricted Noncurrent Assets	<u>260,826,383</u>	<u>263,714,060</u>
<b>Restricted Noncurrent Assets</b>		
Restricted investments, less current portion	22,383,574	19,215,153
Net Pension Asset	1,525,710	781,920
Total Restricted Noncurrent Assets	<u>23,909,284</u>	<u>19,997,073</u>
Total Noncurrent Assets	<u>284,735,667</u>	<u>283,711,133</u>
TOTAL ASSETS	<u>322,556,403</u>	<u>318,972,287</u>
<b>DEFERRED OUTFLOW OF RESOURCES RELATED TO PENSIONS</b>		
	<u>878,175</u>	<u>1,231,285</u>

**SPOKANE AIRPORT BOARD  
STATEMENT OF NET POSITION**

**LIABILITIES**

	December 31,	
	2017	2016
<b>CURRENT LIABILITIES</b>		
<b>Liabilities Payable from Unrestricted Assets</b>		
Construction warrants payable	\$ 1,326,946	\$ 543,910
Vouchers payable and other accrued expenses	4,293,707	2,326,629
Accrued payroll	802,241	841,060
Compensated absences - current portion	100,049	170,322
Total Unrestricted Current Liabilities	<u>6,522,943</u>	<u>3,881,921</u>
<b>Liabilities Payable from Restricted Assets</b>		
Construction warrants payable	174,465	157,870
Accrued interest payable	8,735	61,901
Long-term debt due within one year	455,100	2,680,420
Total Restricted Current Liabilities	<u>638,300</u>	<u>2,900,191</u>
Total Current Liabilities	<u>7,161,243</u>	<u>6,782,112</u>
<b>NONCURRENT LIABILITIES</b>		
Deposits	285,758	278,328
Compensated absences	1,016,594	1,289,644
Accrued environmental liabilities	2,436,115	2,409,865
Accrued postretirement benefits	3,387,594	3,718,522
Net Pension liabilities	3,928,674	4,740,904
Long-term debt, due in more than one year	5,042,888	8,865,617
Total Noncurrent Liabilities	<u>16,097,623</u>	<u>21,302,880</u>
<b>TOTAL LIABILITIES</b>	<u>23,258,866</u>	<u>28,084,992</u>
<b>DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS</b>	<u>1,038,072</u>	<u>195,476</u>
<b>NET POSITION</b>		
<b>Net Investment in capital assets</b>	<u>253,826,984</u>	<u>251,466,243</u>
<b>Restricted for:</b>		
Debt service	17,347	2,373,835
Passenger Facility Charge	13,741,041	11,258,408
Customer Facility Charge	8,167,533	5,285,268
Cash restricted for retainages and deposits	658,245	728,444
Receivable from Government Agencies	1,668,471	1,979,862
Net Pension Asset	1,525,710	781,920
Total Restricted Net Assets	<u>25,778,347</u>	<u>22,407,737</u>
<b>Unrestricted</b>	<u>19,532,309</u>	<u>18,049,124</u>
<b>TOTAL NET POSITION</b>	<u>\$ 299,137,640</u>	<u>\$ 291,923,104</u>

**SPOKANE AIRPORT BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Year Ended December 31,	
	2017	2016
Operating revenues:		
Airfield	\$ 5,970,732	\$ 5,352,771
Passenger terminal	13,484,639	12,163,996
Leased buildings	2,713,526	2,937,847
Leased areas	2,128,812	2,036,034
Parking	11,777,170	10,239,333
Other	173,473	366,006
Total Operating Revenue	<u>36,248,352</u>	<u>33,095,987</u>
Operating expenses:		
Airfield:		
General	7,165,857	5,370,884
Fire department	1,588,164	2,710,881
Police department	1,919,162	1,905,226
Passenger terminal	5,017,850	5,026,242
Leased buildings	1,517,032	1,116,535
Parking	4,384,068	3,634,293
Administration and operations	5,346,960	4,704,379
Total Operating Expense	<u>26,939,093</u>	<u>24,468,440</u>
Operating income before depreciation	9,309,259	8,627,547
Depreciation	<u>22,843,205</u>	<u>22,266,977</u>
Operating income (loss)	<u>(13,533,946)</u>	<u>(13,639,430)</u>



**SPOKANE AIRPORT BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	Year Ended December 31,	
	2017	2016
Nonoperating revenues (expenses):		
Interest income	\$ 820,159	\$ 739,299
Interest expense, including amortization of bond premiums	(182,682)	(300,324)
Gain (loss) on disposition of assets	(168,032)	(28,769)
Gain (loss) on investments	(178,761)	(180,518)
Gain (loss) on redemption of bonds	(1,685)	-
Grant revenue	445,953	303,208
Grant expense	(445,953)	(303,208)
Transaction Fees	3,330,079	3,191,471
Passenger facility charges	6,866,466	6,223,821
	<u>10,485,544</u>	<u>9,644,980</u>
Total Nonoperating revenue (expenses)		
Increase in net assets before capital grants and related items	<u>(3,048,402)</u>	<u>(3,994,450)</u>
Capital contributions		
Other	-	166,315
Federal AIP and other grants	10,262,938	5,492,114
	<u>10,262,938</u>	<u>5,658,429</u>
Increase in Net Position	7,214,536	1,663,979
Net Position, beginning of year	<u>291,923,104</u>	<u>290,259,125</u>
Net Position, end of year	<u>\$ 299,137,640</u>	<u>\$ 291,923,104</u>

**SPOKANE AIRPORT BOARD  
STATEMENT OF CASH FLOWS**

	Year Ended December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from airfield operations	\$ 4,340,163	\$ 4,864,835
Cash received from passenger terminal	13,484,639	12,163,996
Cash received from building leases	2,713,526	2,935,121
Cash received from area leases	2,128,812	2,036,034
Cash received from parking	11,777,170	10,239,333
Other operating cash received	173,473	366,006
Cash paid for airfield operations	(6,492,449)	(5,288,544)
Cash paid to airfield employees	(4,743,244)	(4,485,080)
Cash paid for passenger terminal	(4,252,495)	(4,343,665)
Cash paid to passenger terminal employees	(802,549)	(741,171)
Cash paid for leased building operations	(1,517,032)	(1,116,535)
Cash paid for parking operations	(3,362,704)	(2,665,273)
Cash paid to parking operations employees	(1,075,376)	(914,946)
Cash paid for administration and operations	(1,843,001)	(4,147,019)
Cash paid to administration and operations employees	(1,862,126)	(1,576,955)
Net cash provided by operating activities	<u>8,666,806</u>	<u>7,326,138</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants received	445,953	303,208
Operating grant expenses	(445,953)	(303,208)
Net cash provided by noncapital financing activities	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal and state grant proceeds	10,574,329	7,493,883
Acquisition and construction of capital assets	(19,396,034)	(15,896,326)
Principal payments on debt	(6,048,049)	(2,594,960)
Proceeds from sale of capital assets	72,105	11,205
Interest paid on debt	(237,533)	(321,422)
Loss on debt redemption	(1,685)	-
Transaction fees collected	3,330,079	3,191,471
Passenger facility charges collected	6,951,369	6,458,789
Net cash provided (used) by capital and related financing activities	<u>(4,755,419)</u>	<u>(1,657,360)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	627,259	547,947
Net cash provided by investing activities	<u>627,259</u>	<u>547,947</u>
NET CHANGE IN CASH	<u>4,538,646</u>	<u>6,216,725</u>
Cash, beginning of year	<u>50,139,537</u>	<u>43,922,812</u>
Cash, end of year	<u>\$ 54,678,183</u>	<u>\$ 50,139,537</u>

**SPOKANE AIRPORT BOARD  
STATEMENT OF CASH FLOWS**

	<u>Year Ended</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
<b>OPERATING INCOME (LOSS)</b>	\$ (13,533,946)	\$ (13,639,430)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	22,843,205	22,266,977
Changes in assets and liabilities:		
Accounts receivable	(1,637,999)	(486,580)
Prepaid expenses and other assets	9,812	13,069
Inventory	58,360	(14,713)
Vouchers payable and other accrued expenses	1,967,078	(943,655)
Accrued payroll	(38,819)	149,694
Accrued vacation and sick pay	(343,323)	115,970
Increase (decrease) in net pension liability and related deferred outflows and inflows of resources	(360,314)	(139,162)
Other	(297,248)	3,968
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 8,666,806</u>	<u>\$ 7,326,138</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
<b>NONCASH CAPITAL ACTIVITIES</b>		
Acquisition of construction and capital assets, recorded but not paid at year end	1,501,411	701,780
Gain (loss) on investments	(178,761)	(180,518)
<b>TOTAL NONCASH ITEMS</b>	<u>\$ 1,322,650</u>	<u>\$ 521,262</u>
<b>RECONCILIATION OF CASH</b>		
Cash	\$ 111,172	\$ 108,664
Unrestricted short-term cash investments	31,346,230	27,642,597
Restricted cash and short-term investments, current and noncurrent	<u>23,222,466</u>	<u>22,388,276</u>
<b>CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS</b>	<u>\$ 54,679,868</u>	<u>\$ 50,139,537</u>

# Connecting you to Friends



Notes to Financial Statements



## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

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### Note 1 - Significant Accounting Policies

The following is a summary of significant policies followed by Spokane Airport Board (the Airport).

#### Organization:

The accompanying financial statements include the operations of the Spokane International Airport (SIA), the Airport Business Park (ABP), and Felts Field Airport (FF). Spokane International Airport serves the predominate air travel needs of eastern Washington and northern Idaho. There are no other entities for which the Airport is financially accountable. The Airport is a municipal airport operating under RCW 14.08 and is jointly owned and operated by the City of Spokane and the Spokane County under a joint operating agreement dated August 28, 1990.

The agreement provides for the joint operation of the Airport through a separate seven-member Board. The Board consists of one elected County official, one elected City official, two members appointed by the County, two members appointed by the City, and one member appointed jointly. The annual budget for the Airport is submitted and approved by both the City of Spokane and Spokane County. In addition both the City of Spokane and Spokane County must approve any bond issues or other debts that extend beyond one year. In the event the Airport is unable to make debt payments when due, both the City of Spokane and the Spokane County will pay one-half of the deficit. The agreement also provides that either party may terminate the agreement with certain advance notice. If an agreement can't be reached as to which entity will succeed in operating the Airports, the terminating one will succeed with a payment to the other to compensate them for their share of the difference between the assets and liabilities.

Separate financial statements of the City of Spokane and the Spokane County can be obtained from the Auditor's Office, Spokane County, 1116 West Broadway Avenue, County Courthouse 2<sup>nd</sup> Floor, Spokane, WA 99260; and Financial Division, City of Spokane, 808 West Spokane Falls Blvd., Spokane, WA 99201.

#### Measurement focus and basis of accounting:

The Airport's financial statements are prepared in accordance with Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended. The Airport utilizes one proprietary fund for accounting and financial reporting. Although the Airport accounts for the revenue and expenses of Spokane International Airport, the Airport Business Park, and Felts Field Airport separately, these are accounted for as departments, not as separate funds. GASB 34 also requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

In proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as interest expense and revenue as they relate to and financing and/or investing related transactions, transaction fee and passenger facility charges. Nonexchange transactions are transactions where the Airport receives cash and other financial and capital resources without directly giving equal value in return. The Airport's primary source of nonexchange revenue relates to grants. Grant revenue is recognized at the time eligible program expenditures are occurred and/or the Airport has complied with the grant requirements.

#### Reclassifications:

Certain reclassifications have been made to the 2016 statements in order to conform to the 2017 presentation.

#### Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record environmental reserves, litigated and non-litigated loss contingencies,

**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 1 - Significant Accounting Policies (Continued)**

allowance for doubtful accounts, pension liabilities/assets, and other post-employment benefits. Actual results could differ from those estimates.

Management evaluates the estimated useful life of assets capitalized and placed into service for purposes of determining provisions for depreciation. Estimated remaining lives are reviewed by management on an ongoing basis.

Management has estimated the amount accrued for environmental liabilities. There is the potential for additional environmental sites to be determined in future periods. As the nature of these liabilities is difficult to estimate, the amount of this estimate is subject to significant adjustments.

Annually the Airport has an actuarial analysis performed to determine other post-employment benefits and retirement health insurance obligations. The amount of this estimate is subject to significant adjustment.

Management estimates the amount of accounts receivable expected to be uncollectible. There is a potential for additional amounts to be determined to be uncollectible. The amount of this estimate is subject to adjustment.

**Deferred Outflows/Inflow of Resources:**

The statements of net position will sometimes report a separate section for deferred outflows of resources and/or deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and; therefore, not recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and; therefore, not recognized as an inflow of resources (revenue) until then.

Pension accounting variances can occur due to actuarial assumptions that differ between the actual plan experience and the original actuarial assumed rates. Differences can result from, among others, earnings on investments, changes in assumptions, and other experience gains or losses. A variance represents a gain or a loss, shown as deferred inflows of resources or deferred outflows of resources, respectively, in the accompanying statements of net position. These deferred outflows/inflows are amortized in accordance with the provisions of GASB No. 68. Additional items are determined annually based on each subsequent year's variances from actuarial assumptions.

**Airline rates and charges:**

Under the terms of the signatory airline lease and operating agreements, the Airport sets airline rates and charges using a residual methodology. Under this agreement, the rates for the landing fee and terminal rents are set to recover the operating costs for the airfield and terminal.

**Concentration of operating revenue:**

The operation of the Airport is dependent upon the utilization of their facilities by air carriers and major airlines. Airlines have signed operating agreements (Note 10) with the Airport for terminal rentals and landing fees and for the maintenance of net revenues in accordance with bond covenants (see Note 6). Revenues from airlines amounted to approximately 36% and 36% of operating revenue for the years ended December 31, 2017 and 2016, respectively. Rental car revenue approximated 28% and 29% of operating revenue for the years ended December 31, 2017 and 2016, respectively. Parking garage revenues for the years ended December 31, 2017 and 2016, approximated 36% and 29% of total operating revenue, respectively.

**Budgeting requirements:**

The Airport budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for SIA, Felts Field, and ABP. The budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actual, current program levels, new operating requirements, and the overall economic climate of the region and airline industry.

**Income taxes:**

The Airport is exempt from income taxes under current provisions of the Internal Revenue Code.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 1 - Significant Accounting Policies (Continued)**

**Passenger facility charges:**

The Airport has received approval from the FAA to impose a passenger facility charge (PFC) for each passenger who utilizes SIA of up to \$4.50 from April 1, 2003, through November 1, 2020. The charge is collected by all carriers and remitted to the Airport, less a \$0.11 per passenger handling fee. The proceeds from the PFC are restricted to use by the Airport for certain FAA approved capital improvement projects. Cumulative PFC revenue of \$152,400,263 has been approved for collection and \$152,400,263 has been approved for use, of which \$139,901,632 has been received on the accrual basis through December 31, 2017. At December 31, 2017, Spokane International Airport had total cumulative expenditures on an accrual basis of \$125,757,232. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

**Transaction fees:**

The Airport collects a transaction fee of \$3 per day from rental car transactions. As determined by the 2008 bond documents the transaction fee revenue is to be expended by the Airport on eligible capital projects and/or the payment of principal and interest on specific revenue bonds.

Beginning in October 2012 an additional \$.75 per day transaction fee was added to fund capital improvements needed. Transaction fee revenues received from the rental car companies are recorded as non-operating income in the statement of revenues, expenses, and changes in Net Position.

**Federal grants-in-aid:**

The Airport receives federal grants-in-aid funds on a reimbursement basis, mostly related to construction of the Airport's facilities and other capital activities along with operating grants to perform enhancements in the Airport's safety, security, and capacity.

**Cash and cash equivalents:**

For the purposes of the statement of cash flows, the Airport considers all highly liquid investments (including unrestricted and restricted short-term investments) to be cash equivalents. See Note 2 for a discussion of the nature of restricted short-term investments.

**Short-term investments:**

The Airport invests the majority of its funds with Spokane County's investment pool for Spokane County government agencies. It is the policy of Spokane County to invest public funds in accordance with governing statutes and in a manner, which will provide the best investment return. Investments are made by designated personnel in accordance with the Spokane County Treasurer's Investment Policy. County policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis. Investments are recorded at fair market value. Information regarding the types of investments that the County can purchase are found in RCW 36.29.020.

Investments are recorded at net assets value in accordance with GASB Statement No. 72, *Fair Value Measurement, and Application*. Accordingly, the change in net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

**Accounts receivable and allowance for doubtful accounts:**

Accounts receivable are recorded for invoices issued to customers in accordance with the Airport's contractual arrangements. The allowance for doubtful accounts is based on specific identification of troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off against the allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**Inventory:**

Inventories consist of de-icing materials and fuel and are valued using the FIFO method.

**Capital assets:**

Capital assets with an acquisition cost in excess of \$5,000 at the acquisition date and having an expected useful life of one or more years are capitalized and depreciated. Repair and maintenance costs are expensed as incurred. Replacements and major improvements of capital assets are capitalized at cost. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 1 - Significant Accounting Policies (Continued)**

accounts and any resulting gain or loss is reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Land is not considered a depreciable asset. The Statement of Revenues, Expenses, and Changes in Net Position include depreciation of all depreciable property, facility, and equipment and total gains or losses upon the disposal thereof.

The United States federal government has an interest in any asset purchased or constructed with Airport Improvement Program dollars. Upon disposal of these assets, the Federal Aviation Administration must be notified and the current market value of their interest is either returned or invested into another approved project or asset.

Following is a summary of estimated useful lives of depreciable property, facility, and equipment:

Land improvements	10-20 years
Buildings	30-50 years
Roads and Parking Lots	15-20 years
Aprons, Taxi and Runways	10-30 years
Equipment	2-10 years
Utilities	30-50 years

**Capitalization of interest costs:**

Interest costs associated with assets requiring a period of time to construct and place in service are capitalized. Other interest costs are charged to operations as incurred. No interest costs were capitalized during 2017 and 2016.

**Debt discount, premium, and issuance costs:**

Debt discounts and premiums relating to the issuance of bonds are amortized over the lives of the related bonds using the effective interest method.

**Pensions:**

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

**Compensated absences:**

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and sick leave is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future. Employees of the Airport are granted vacation and sick leave depending on their length of employment.

*Non-Union employees*

Administrative employees may accrue up to 240 hours of vacation time and up to 1040 hours of sick leave. Unused sick leave is paid out to an employee or the employee's estate only when separation is due to death or retirement. Sick leave payout is equal to 50% of not more than 1,040 hours.

*Maintenance employees*

Maintenance employees may accrue up to 240 hours of vacation leave to the next yearly periods. Any vacation in excess of 240 hours on December 1 each year is forfeited with no compensation to the employee. Sick leave may accrue to a maximum of 1,040 hours. Employees with 1,040 hours do not accrue additional hours until their balance falls below 1,040 hours. Unused sick leave is paid out to an employee or the employee's estate only when separation is due to death or retirement. Sick leave payout is equal to 50% of the amount accumulated, up to a maximum of 1040 hours.



## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

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### Note 1 - Significant Accounting Policies (Continued)

#### *Firefighters*

Firefighters may accumulate leave to a total of 400 hours of vacation. Any leave in excess of that amount as of December 31 of each year is forfeited. Unused sick leave is paid a separation to the employee of employee's estate, only when separation is due to death of LEOFF II retirement of the employee. Employees accepting Early Retirement Incentive, and all other qualified employees are paid up to a maximum of 1,231 hours. All existing employees who do not qualify for Early Retirement Incentive or employees that are hired after July 1, 2016, are paid up to a maximum of 957 hours.

#### *Part Time Employees*

Beginning January 1, 2018 all part time employee accrue one hour of sick leave for every forty hours worked.

Compensated absences are accrued when earned and are reported as a liability.

#### **Net Position:**

Net position has been classified on the statement of net position into the following components:

*Invested in capital assets:* - Capital assets are shown net of accumulated depreciation, deferred inflows/outflow of resources, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted component:* - Consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets that have third party restrictions placed on them.

*Unrestricted component:* - is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### **Policy regarding use of restricted vs. unrestricted resources:**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Airport will utilize restricted resources first, then unrestricted resources as needed.

#### **Recently Adopted Accounting Standards:**

**GASB Statement No. 86** (GASB 86) - Certain Debt Extinguishment Issues was issued May 2017. This Statement establishes the requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. For governments using the economic resources measurement focus in financial statement reporting those governments should recognize any differences between the reacquisition price (the amount require to be place in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The requirements of the Statement are effective for financial statements beginning after June 15, 2017. The Airport has chosen to early implement GASB Standard No. 86.

#### **Accounting Standards Issued But Not Yet Adopted:**

**GASB Statement No. 75** (GASB 75) - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions was issued June 2016. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The provisions of GASB 75 are effective for financial statement for the fiscal years beginning after June 15, 2017. The Airport is currently evaluating the impact of GASB 75 on its financial statement.

## SPOKANE AIRPORT BOARD

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 2 - Cash, Cash Equivalents and Investments

##### Deposits:

All deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or covered by the State of Washington's Public Deposit Protection Commission (PDPC). The PDPC, a statutory authority under RCW 39.58, constitutes a multiple financial institution collateral pool that makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and secures collateral for deposits that exceed the amount insured by the FDIC. Also, public depositories collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds. In the event of a bank default, the Public Deposit Protection Commission establishes the amount of public fund loss and assesses each participating bank for its proportionate share.

Primarily due to the weakening financial conditions of a number of banks in Washington and in an effort to further protect public deposits from loss, the Public Deposit Protection Commission, on February 18, 2009, passed Resolution 2009-1. The resolution required banks to fully collateralize all uninsured public deposits by June 30, 2009, if they wish to continue as a public depository. In the event that a public depository did not elect to continue, it must disgorge all public funds in an orderly and businesslike manner.

In 2010, the PDPC adopted Resolution 2010-1 requiring all public depositories to take measured and orderly steps to shift their public depositors' funds from accounts insured through the FDIC Transaction Account Guarantee (TAG) Program to other insured or collateralized accounts.

The majority of the Airport's cash and investments are invested in the Spokane County Treasurer's Office administered investment pool for Spokane County government agencies. The Spokane County Investment Pool (the Pool) is not SEC registered and there is no credit rating of the Pool. Investments in the Pool are in the custody of the Spokane County Treasurer under the policy guidance of the Spokane County Finance Committee. There are no withdrawal or redemption restrictions placed on the Airport.

Investments in the Pool principally consist of investments in the Washington State Local Government Investment Pool, US government agency securities, commercial bank certificates of deposit, and Spokane County Bonds. The Airport, as a joint venture of the City of Spokane and Spokane County, is limited by City and County state statutes as to the types of investments it may invest in. For a more detailed list of the types of investments allowed under Washington State law contact the Spokane County Treasurers Office at [www.spokanecounty.org](http://www.spokanecounty.org) or see RCW 36.29-020.

##### Investments:

The Airport invests its funds in the Spokane County Investment Pool (SCIP). The pool uses the Net Asset Value (NAV) to measure the pool's underlying securities, relative to the cumulative fund balance. All investments of the SCIP are limited by RCW, principally RCW 36.29.020. The pool is authorized to invest in U.S. Treasury and agency securities, repurchase and for collateral otherwise authorized for investment, municipal bonds of the state of Washington and General Obligations of other states with one of the three highest ratings of a national rating agency at the time of investment, certificates of deposit with qualified depositories with the statutory limits as promulgated by the Public Deposit Protection Commission at the time of the investment, foreign and domestic bankers acceptances and the Washington State Local Government Pool and Bank Deposits.

All securities purchased by the Pool belong jointly to the Participants who share realized gains, income, and any realized losses on a pro-rata basis. The Investment Pool is not an investment in a money market or bank account, which typically has a lower-average maturity (under 60 days) and lower yield. The Investment Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation, Spokane County, or any other government agency. The interest earnings of the Pool, depends on amortized earnings and interest accruals at prevailing investment rates.

The use of amortized cost valuation means that the Pool's stable \$1.00 price value may vary from its market value N.A.V. per share. In the unlikely event that the Spokane County Treasurer were to determine that the extent of the deviation between the Pool's amortized cost per share and market value N.A.V. per share may result in material dilution or other unfair results to the shareholders, the County Treasurer may cause the Pool to take such action as it deems appropriate to eliminate or reduce dilutions that cause unfair results to participants.

**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 2 - Cash, Cash Equivalents and Investments (Continued)**

The State of Washington Local Government Investment Pool is the only government-sponsored pool approved for investment of funds. At December 31, 2017 and 2016, the Airport had the following cash and investments. Cash and investments are classified on the statement of net position as follows:

	2017	2016
Cash	\$ 111,172	\$ 108,664
Unrestricted short-term investments	31,346,230	27,642,597
Restricted short-term investments, current portion	838,892	3,173,123
Restricted short-term investments, noncurrent	22,383,574	19,215,153
TOTAL	<u>\$ 54,679,868</u>	<u>\$ 50,139,537</u>

As of December 31, 2016 and 2015, the Spokane Airport has the following cash and investments:

	2017	2016
Petty Cash	\$ 6,650	\$ 6,650
Cash in bank	104,522	102,014
Funds invested in the Spokane County Investment Pool	54,568,696	50,030,873
TOTAL	<u>\$ 54,679,868</u>	<u>\$ 50,139,537</u>

**Credit risk:**

Credit risk is the risk the issuer or other counterparty to an investment will not fulfill its obligations. The Pool investments are governed by state laws and Spokane County's investment policy; however, not all amounts in the County pool are rated. The Airport is not able to identify the credit risk on specific amounts held by the County on the Airport's behalf. Additional information on the Spokane County Investment Pool is contained in the Spokane County Comprehensive Annual Financial Report. A copy of the report can be obtained by contacting the Spokane County Auditor's Office, 1116 W. Broadway, 2<sup>nd</sup> Floor, Spokane, Washington, 99260. The Airport does not have a formal policy addressing credit risk.

**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 change in market interest rates.

The Airport has no formal policy addressing interest rate risk. The majority of the Airport's funds are invested in the Spokane County Investment Pool. The average length of maturity of the investments of the Pool was 402 and 532 days at December 31, 2017 and 2016, respectively.

Additional information on the Spokane County Investment Pool interest rate risk is contained in the Spokane County Comprehensive Annual Financial Report.

**Custodial risk:**

Custodial risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airport does not have a formal policy addressing custodial risk. Currently, amounts invested in the Pool are not held in the Airport's name. Additional information on custodial risk can be obtained by contacting the Spokane County Treasurers Office.

**Concentration risk:**

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The Spokane County Investment Pool 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% or more of the total County investment pool.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 2 - Cash, Cash Equivalents and Investments (Continued)**

	<u>2017</u>	<u>2016</u>
Fannie Mae	18%	18%
Freddie Mac	9%	5%
LGIP (State)	18%	12%
FHL	22%	14%
United State Treasure Notes	28%	47%

The following is a table, by percentage of investment security types, of the Spokane County Investment Pool as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Washington State Local Government Investment Pool	18%	12%
Federal agency securities	79%	86%
Miscellaneous investments	3%	2%
	<u>100%</u>	<u>100%</u>

**Cash balances:**

The carrying value of the Airport's deposits with financial institutions as of December 31, 2017 and 2016, were \$104,522 and \$102,014 and the bank balances were \$107,231 and \$102,014 respectfully. The bank balance is categorized as follows:

	<u>2017</u>	<u>2016</u>
Amount insured by FDIC	\$ 107,231	\$ 102,014
Total Bank Balance	<u>\$ 107,231</u>	<u>\$ 102,014</u>

**Restricted cash and short-term investments:**

Restricted cash and short-term investments (including current and noncurrent portions) at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Funds restricted for the retirement of the 2005 Revenue Bonds	\$ -	\$ 482,491
Funds restricted for the retirement of the 2008 Revenue Bonds	-	4,157,150
Funds restricted for the retirement of the CERB Loans	481,182	476,515
Collected passenger facility charges, restricted for approved projects	13,741,041	11,258,408
Collected transaction fee, restricted for approved projects	8,167,533	5,285,268
Funds designated for retainages in escrow (cash in bank)	558,452	459,186
Refurbishment and fuel deposits	274,258	269,258
Total Restricted Cash and Short-Term Investments	<u>\$ 23,222,466</u>	<u>\$ 22,388,276</u>

**Note 3 - Receivable from Government Agencies**

The Airport has received grants for airport construction, improvements, and land acquisition, from the Federal Airport Improvement Program (AIP) and other state and federal grants. Cash collected for construction, land acquisition, and operational grants were \$10,708,891 in 2017 and \$5,961,637 in 2016. Amounts are recorded on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue, and capital contributions. The following is a summary of the activity in government receivables for the years ended December 31:



**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 3 - Receivable from Government Agencies (Continued)**

	2017	2016
Government receivable, beginning of year	\$ 1,979,862	\$ 3,815,316
Funds expended	10,708,891	5,961,637
	<u>12,688,753</u>	<u>9,776,953</u>
Less cash received	(11,020,282)	(7,797,091)
Government receivable, end of year	<u>\$ 1,668,471</u>	<u>\$ 1,979,862</u>

**Note 4 - Inventory**

At the end of 2017 and 2016, the Airport had a remaining supply of fuel and de-icing material, which was recorded as inventory using the FIFO accounting method. Inventory on December 31, 2017 and 2016, was \$230,120 and \$288,480, respectively.

**Note 5 - Change in Capital Assets**

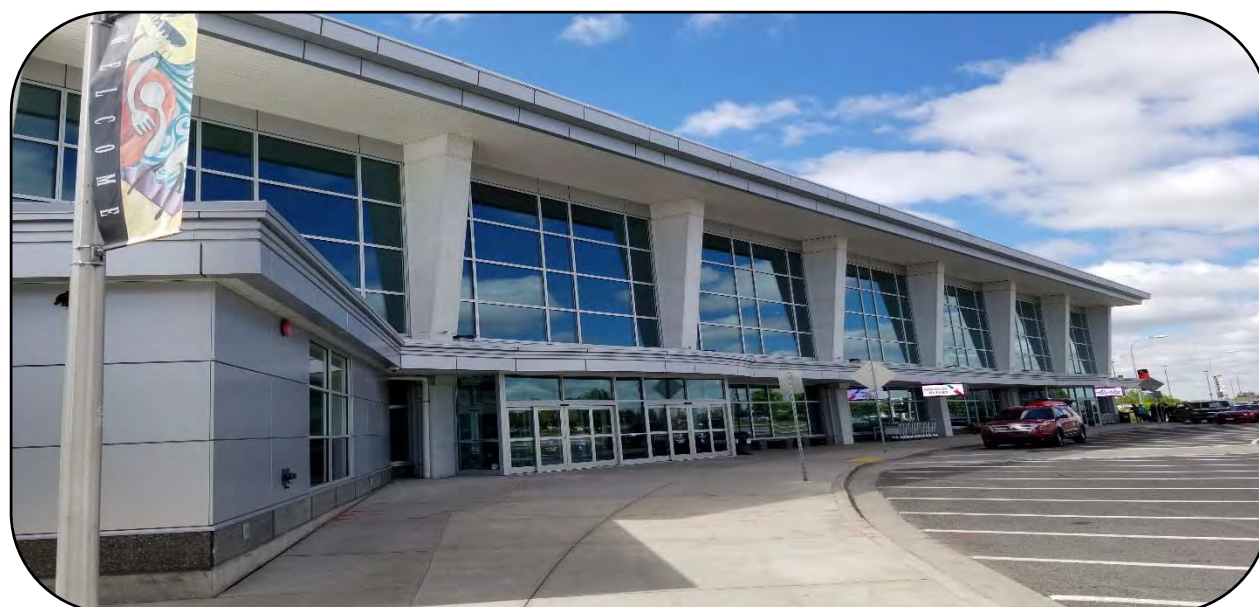
A summary of changes in capital assets for the years ended December 31, 2017 and 2016, is as follows:

	Beginning Balance January 1, 2017	Additions	Deletions	Transfers	Ending Balance December 31, 2017
<b>Nondepreciable Assets</b>					
Land	\$ 19,818,076	\$ -	\$ -	\$ 1,025,612	\$ 20,843,688
Construction in progress	7,764,229	18,196,455	-	(15,053,551)	10,907,133
Total Nondepreciable Assets	<u>27,582,305</u>	<u>18,196,455</u>	<u>-</u>	<u>(14,027,939)</u>	<u>31,750,821</u>
<b>Depreciable Assets</b>					
Land improvements	211,171,653	631,305	(688,215)	7,001,991	218,116,734
Buildings	181,276,429	120,336	(588,167)	1,706,893	182,515,491
Equipment	53,491,834	1,247,569	(5,416,792)	5,319,055	54,641,666
Water and sewer facilities	2,686,968	-	-	-	2,686,968
Total Depreciable Assets	<u>448,626,884</u>	<u>1,999,210</u>	<u>(6,693,174)</u>	<u>14,027,939</u>	<u>457,960,859</u>
<b>Less accumulated depreciation for:</b>					
Land improvements	87,977,455	11,719,400	(688,215)	-	99,008,640
Buildings	88,132,519	6,495,052	(349,011)	-	94,278,560
Equipment	35,455,235	4,502,797	(5,415,811)	-	34,542,221
Water and sewer facilities	929,920	125,956	-	-	1,055,876
Total Accumulated Depreciation	<u>212,495,129</u>	<u>22,843,205</u>	<u>(6,453,037)</u>	<u>-</u>	<u>228,885,297</u>
Total Depreciable Capital Assets - net	<u>236,131,755</u>	<u>(20,843,995)</u>	<u>(240,137)</u>	<u>14,027,939</u>	<u>229,075,562</u>
Total Capital Assets - net	<u>\$ 263,714,060</u>	<u>\$ (2,647,540)</u>	<u>\$ (240,137)</u>	<u>\$ -</u>	<u>\$ 260,826,383</u>

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 5 - Change in Capital Assets (Continued)**

	Beginning Balance January 1, 2016	Additions	Deletions	Transfers	Ending Balance December 31, 2016
<b>Nondepreciable Assets</b>					
Land	\$ 19,818,076	\$ -	\$ -		\$ 19,818,076
Construction in progress	16,726,177	13,729,350	-	(22,691,298)	7,764,229
<b>Total Nondepreciable Assets</b>	<b>36,544,253</b>	<b>13,729,350</b>	<b>-</b>	<b>(22,691,298)</b>	<b>27,582,305</b>
<b>Depreciable Assets</b>					
Land improvements	195,481,463	178,927	(19,213)	15,530,476	211,171,653
Buildings	176,912,039	534,450	(734,041)	4,563,981	181,276,429
Equipment	51,688,798	854,945	(1,065,728)	2,013,819	53,491,834
Water and sewer facilities	2,103,946	-	-	583,022	2,686,968
<b>Total Depreciable Assets</b>	<b>426,186,246</b>	<b>1,568,322</b>	<b>(1,818,982)</b>	<b>22,691,298</b>	<b>448,626,884</b>
<b>Less accumulated depreciation for:</b>					
Land improvements	76,786,219	11,210,449	(19,213)	-	87,977,455
Buildings	82,361,626	6,469,188	(698,295)	-	88,132,519
Equipment	32,065,165	4,453,615	(1,061,500)	(2,045)	35,455,235
Water and sewer facilities	794,150	133,725	-	2,045	929,920
<b>Total Accumulated Depreciation</b>	<b>192,007,160</b>	<b>22,266,977</b>	<b>(1,779,008)</b>	<b>-</b>	<b>212,495,129</b>
<b>Total Depreciable Capital Assets - net</b>	<b>234,179,086</b>	<b>(20,698,655)</b>	<b>(39,974)</b>	<b>22,691,298</b>	<b>236,131,755</b>
<b>Total Capital Assets - net</b>	<b>\$ 270,723,339</b>	<b>\$ (6,969,305)</b>	<b>\$ (39,974)</b>	<b>\$ -</b>	<b>\$ 263,714,060</b>



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt**

Following is a summary of long-term debt at December 31:

	Due Within One Year	2017 Due After One Year	Total	2016 Total
Revenues Bonds series 2005, due in installments of increasing amounts through December 1, 2024, interest payable semi-annually at rates of 3.23% to 6.02%. The proceeds of the bond were utilized to finance the construction of the Business Park building 1200. Original principal amount \$2,620,000.	\$ -	\$ -	-	\$ 1,365,000
	\$ -	\$ -	\$ -	\$ 1,365,000
Revenues Bonds series 2008, due in installments of increasing amounts through October 1, 2018, interest payable semi-annually at rates of 3.25% to 4.50%. The proceeds of the bond were utilized to finance the construction of the Rental Car Facilities and parking project. Original principal amount \$18,875,000.	\$ -	\$ -	\$ -	\$ 4,175,000
Add unamortized bond premium.	-	-	-	53,415
	\$ -	\$ -	\$ -	\$ 4,228,415
2005 CERB loan, due in installments of increasing amounts through January 1, 2026, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build a FBO maintenance hangar. Original principal amount \$800,000.	\$ 47,003	\$ 393,346	\$ 440,349	\$ 486,886
2006 CERB loan, due in installments of increasing amounts through July 1, 2027, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build an avionics repair and maintenance hangar. Original principal amount \$750,000.	\$ 44,764	\$ 402,875	\$ 447,639	\$ 492,403

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

	2017		2016	
	Due Within One Year	Due After One Year	Total	Total
2008 CERB loan, due in installments of increasing amounts beginning July 1, 2015, through July 1, 2029, interest is payable annually at a rate of .5%. Proceeds were used to refurbish a maintenance and repair facility.				
Original principal amount \$1,700,000.	<u>\$ 113,333</u>	<u>\$ 1,246,667</u>	<u>\$ 1,360,000</u>	<u>\$ 1,473,333</u>
2010 CERB loan, due in installments of increasing amounts July 31, 2015, through July 31, 2030, interest is payable annually at a rate of 0%. Proceeds of the loan were used to build an aircraft maintenance and paint hangar facility.				
Original principal amount \$4,000,000.	<u>\$ 250,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,250,000</u>	<u>\$ 3,500,000</u>
Total Long-Term Debt	<u>\$ 455,100</u>	<u>\$ 5,042,888</u>	<u>\$ 5,497,988</u>	<u>\$ 11,546,037</u>

Following is a summary of future scheduled debt payment requirements (without regard to unamortized discount/premium):

	Principal	Interest	Total
2018	\$ 455,100	\$ 15,680	\$ 470,780
2019	455,570	14,196	469,766
2020	456,045	12,707	468,752
2021	456,524	11,213	467,737
2022	457,009	9,714	466,723
2023-2027	2,241,073	25,921	2,266,994
2028-2030	976,667	1,699	978,366
	<u>\$ 5,497,988</u>	<u>\$ 91,130</u>	<u>\$ 5,589,119</u>

Pursuant to agreements executed with all airlines, landing fees are determined using a formula, which is based on, among other factors, the maintenance of a 1.3 ratio of net revenues to maximum annual debt service. The 2008 series bonds required a ratio of net revenue equal to 1.3 times the maximum annual debt service on all outstanding bonds. The Airport Business Park 2005 series bonds required a ratio of net revenue equal to 1.25 times the maximum annual debt service on all outstanding bonds. The Airport was in compliance with these ratios in 2016. On June 22, 2017 The Airport redeemed the 2005 Airport Business Park 2005 bond series and on May 23, 2017 defeased the 2008 Airport Revenue bonds.

The Airport's 2008 series revenue bonds were the only outstanding bonds subject to federal arbitrage regulation.



**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

A summary of changes in long-term debt is as follows:

	Balance at December 31, 2016	Increase	Decrease	Balance at December 31, 2017
Revenue bonds of 2005	\$ 1,365,000	\$ -	\$ (1,365,000)	\$ -
Revenue bonds of 2008	4,175,000	-	(4,175,000)	-
2005 CERB loan payable	486,886	-	(46,537)	440,349
2006 CERB loan payable	492,403	-	(44,764)	447,639
2008 CERB loan payable	1,473,333	-	(113,333)	1,360,000
2010 CERB loan payable	3,500,000	-	(250,000)	3,250,000
Unamortized Premium	53,415	-	(53,415)	-
	<u>\$ 11,546,037</u>	<u>\$ -</u>	<u>\$ (6,048,049)</u>	<u>\$ 5,497,988</u>
	Balance at December 31, 2015	Increase	Decrease	Balance at December 31, 2016
Revenue bonds of 2005	\$ 1,495,000	\$ -	\$ (130,000)	\$ 1,365,000
Revenue bonds of 2008	6,140,000	-	(1,965,000)	4,175,000
2005 CERB loan payable	532,963	-	(46,077)	486,886
2006 CERB loan payable	537,167	-	(44,764)	492,403
2008 CERB loan payable	1,586,667	-	(113,334)	1,473,333
2010 CERB loan payable	3,750,000	-	(250,000)	3,500,000
Unamortized Premium	99,200	-	(45,785)	53,415
	<u>\$ 14,140,997</u>	<u>\$ -</u>	<u>\$ (2,594,960)</u>	<u>\$ 11,546,037</u>

Other long-term liability activity for the years ended December 31 (excludes current portion) is as follows:

	Balance at December 31, 2016	Increase	Decrease	Balance at December 31, 2017
Deposits	\$ 278,328	\$ 12,430	\$ (5,000)	\$ 285,758
Accrued environmental liabilities	2,409,865	161,271	(135,021)	2,436,115
Accrued postretirement benefits	3,718,522	18,032	(348,960)	3,387,594
Pension liability	4,740,904		(812,230)	3,928,674
Compensated absences	1,289,644	118,759	(391,809)	1,016,594
	<u>\$ 12,437,263</u>	<u>\$ 161,196</u>	<u>\$ (1,546,154)</u>	<u>\$ 11,052,305</u>

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt (Continued)**

	Balance at December 31, 2015	Increase	Decrease	Balance at December 31, 2016
Deposits	\$ 282,410	\$ -	\$ (4,082)	\$ 278,328
Accrued environmental liabilities	2,957,549	-	(547,684)	2,409,865
Accrued postretirement benefits	3,162,788	555,734	-	3,718,522
Pension liability	3,910,712	830,192		4,740,904
Compensated absences	1,183,492	139,617	(33,465)	1,289,644
	<u>\$ 11,496,951</u>	<u>\$ 1,525,543</u>	<u>\$ (585,231)</u>	<u>\$ 12,437,263</u>

The estimated current portion of compensated absences for 2017 and 2016 was \$100,049 and 170,322.

The Airport bonds were secured by certain pledged revenues that were paid off in 2017. The Airport had pledged net revenues of the Business Park to repay the Business Park bond issued in 2005 to construct Building 1200.

- The Airport had pledged net revenues of the Airport and Felts Field to repay the rental car and parking facilities bond issued in 2008 to construct the quick turn-around facility and make improvements to the parking facilities.

Bond Issuances	The Final Year of Bond Payments	Future Pledged Revenue Outstanding	December 31, 2016, Revenues	For the Year Ended December 31, 2016, Principal and Interest Payments	Coverage Ratio
2005	2024	\$ 1,754,982	\$ 1,368,740	\$ 217,434	6.29
2008	2018	4,448,275	13,633,149	2,226,138	6.12
		<u>\$ 6,203,257</u>	<u>\$ 15,001,889</u>	<u>\$ 2,443,573</u>	

**Redeemed & Defeased Revenue Bonds**

On February 23, 2017, the Airport Board voted to redeem the 2005 Bond series and to defease the 2008 Bond series. The 2005 bond were redeemed on June 22, 2017, there was a \$7,300 loss on the redemption.

On May 23, 2017, the 2008 Revenue Bonds were defeased by placing \$4,326,510 of cash in an irrevocable escrow account held and managed by U.S. Bank National Association (a defeasance Trustee). The monies deposited in Defeasance Trustee were invested in U.S. Treasury Notes. The principal and interest on the Notes will provide amounts sufficient to pay the principal and interest of \$4,357,006 on the defeased bonds. Accordingly, the escrow account and the defeased bonds are not included in the Airport's financial statements. The 2008 Revenue Bond defeasance resulting in a \$3,930 economic gain. The bonds were redeemed/defeased to favorably position the airport for future debt financing development.

**Note 7 - Operating Leases**

The Airport entered into several operating leases for office and airfield maintenance equipment. Lease expenditures for the years ended December 31, 2017 and 2016, were \$24,376 and \$2,549, respectively.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 7 - Operating Leases (Continued)**

A schedule of future minimum lease payments required under the operating leases is as follows:

Years ending December 31,	
2018	\$ 27,642
2019	21,111
2020	21,111
2021	21,111
	Total
	\$ 90,975

**Note 8 - Pension and Benefit Plans**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2017:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 3,928,674
Pension assets	1,525,710
Deferred outflows of resources	878,175
Deferred inflows of resources	1,038,072
Pension expense/expenditures	489,806

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

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

**Public Employees' Retirement System (PERS)**

**Plan Description:**

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

**Pension Benefits:**

**PERS Plan 1** provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

**Contributions:**

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

The Spokane Airport Board's actual contributions to the plan were \$271,541 and \$245,770 for the years ended December 31, 2017 and 2016, respectively.

**Pension Benefits:**

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

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

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

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

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

**Contributions:**

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

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 are as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January - June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>
July - December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>

The Spokane Airport Board's actual contributions to the plan were \$380,628 and \$321,229 for the years ended December 31, 2017 and 2016, respectively.

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF):**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**Plan Description and Benefits:**

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

- 20+ years of service - 2.0% of FAS
- 10-19 years of service - 1.5% of FAS
- 5-9 years of service - 1% of FAS

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



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions:**

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**Plan Description and Benefits:**

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

**Contributions:**

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January - June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.59%</b>	<b>8.41%</b>
July - December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The Spokane Airport Board's actual contributions to the plan were \$120,068 and \$112,905 for the years ended December 31, 2017 and 2016, respectively.

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

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### Note 8 - Pension and Benefit Plans (Continued)

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. SIA's portion of the state contribution is \$29,955.

#### Actuarial Assumptions:

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

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

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- For all plans, except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

#### Discount Rate:

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

#### Long-Term Expected Rate of Return:

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

**Estimated Rates of Return by Asset Class:**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

**Sensitivity of NPL:**

The table below presents the Spokane Airport Board's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Spokane Airport Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$2,463,727	\$2,022,447	\$1,640,204
PERS 2/3	5,135,575	1,906,227	(739,745)
LEOFF 1	(366,989)	(494,750)	(604,468)
LEOFF 2	223,098	(1,030,960)	(2,052,714)

**Pension Plan Fiduciary Net Position:**

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

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

At December 31, 2017 and 2016, the Spokane Airport Board reported a total pension liability and pension assets are as follows:

	2017	2016
	Liability (or Asset)	Liability (or Asset)
PERS 1	\$2,022,447	\$2,155,170
PERS 2/3	1,906,227	2,585,734
LEOFF 1	(494,750)	(353,398)
LEOFF 2	(1,030,960)	(428,522)

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

The amount recognized by the Spokane Airport Board's as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the Spokane Airport Board were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ 494,750	\$ 1,030,960
State's proportionate share of the net pension asset associated with the employer	3,346,479	668,764
<b>TOTAL</b>	<b>\$ 3,841,229</b>	<b>\$ 1,699,724</b>

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the Spokane Airport Board's.

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.042622%	0.040130%	0.002492%
PERS 2/3	0.054863%	0.051356%	0.003507%
LEOFF 1	0.032609%	0.034301%	(0.001692)%
LEOFF 2	0.074294%	0.073676%	0.000618%

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

**LEOFF Plan 1** allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

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

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

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

**Pension Expense:**

For the year ended December 31, 2017 and 2016, the Spokane Airport Board recognized pension expense as follows:

	2017	2016
	Pension Expense	Pension Expense
PERS 1	\$255,139	\$142,087
PERS 2/3	243,865	400,871
LEOFF 1	(59,456)	(36,763)
LEOFF 2	50,258	108,028
<b>TOTAL</b>	<b>\$ 489,806</b>	<b>\$ 614,223</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources:**

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2017	
PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	75,472
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	141,943	-
<b>TOTAL</b>	<b>\$ 141,943</b>	<b>\$ 75,472</b>

	December 31, 2016	
PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	54,264	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	128,528	-
<b>TOTAL</b>	<b>\$ 182,792</b>	<b>\$ -</b>



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

The average of the expected remaining service lives of all employees in PERS 1 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 1 year.

PERS 2/3	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,146	\$ 62,692
Net difference between projected and actual investment earnings on pension plan investments	-	508,154
Changes of assumptions	20,248	-
Changes in proportion and differences between contributions and proportionate share of contributions	129,080	64,181
Contributions subsequent to the measurement date	211,363	-
<b>TOTAL</b>	<b>\$ 553,856</b>	<b>\$ 635,028</b>

PERS 2/3	December 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,689	\$ 85,359
Net difference between projected and actual investment earnings on pension plan investments	316,419	-
Changes of assumptions	26,726	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	102,031
Contributions subsequent to the measurement date	168,108	-
<b>TOTAL</b>	<b>\$ 648,942</b>	<b>\$ 187,390</b>

The average of the expected remaining service lives of all employees in PERS 2/3 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 7.3 years.

LEOFF 1	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	45,974
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 45,974</b>

LEOFF 1	December 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	35,922	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$ 35,922</b>	<b>\$ -</b>

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

The average of the expected remaining service lives of all employees in LEOFF 1 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 1 year.

LEOFF 2	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,313	\$ 39,096
Net difference between projected and actual investment earnings on pension plan investments	-	231,458
Changes of assumptions	1,241	-
Changes in proportion and differences between contributions and proportionate share of contributions	73,066	11,042
Contributions subsequent to the measurement date	62,776	-
<b>TOTAL</b>	<b>\$ 182,396</b>	<b>\$ 281,595</b>

LEOFF 2	December 31, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,719	\$ -
Net difference between projected and actual investment earnings on pension plan investments	153,985	-
Changes of assumptions	1,616	-
Changes in proportion and differences between contributions and proportionate share of contributions	91,333	8,085
Contributions subsequent to the measurement date	57,977	-
<b>TOTAL</b>	<b>\$ 363,630</b>	<b>\$ 8,085</b>

The average of the expected remaining service lives of all employees in LEOFF 2 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 10.6 year.

Deferred outflows of resources related to pensions resulting from the Spokane Airport Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Years ended December 31:	PERS 1
2018	\$(51,014)
2019	16,106
2020	( 3,740)
2021	(36,824)
2022	-
Thereafter	-

Years ended December 31:	PERS 2/3
2018	\$(219,814)
2019	51,033
2020	(26,486)
2021	(183,892)
2022	37,663
Thereafter	48,961

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

<b>Years ended December 31:</b>	<b>LEOFF 1</b>
2018	\$ (28,852)
2019	7,781
2020	(3,107)
2021	(21,796)
2022	-
Thereafter	-

<b>Years ended December 31:</b>	<b>LEOFF 2</b>
2018	\$ (91,129)
2019	39,283
2020	(684)
2021	(83,792)
2022	(4,581)
Thereafter	(21,072)

**Postretirement Health Care Plan**

**Benefits Other than Pensions:**

At the December 31, 2008 implementation date, the initial net other postemployment benefit (OPEB) obligation was established based on the cumulative effect if GASB No. 45 had been in effect for the previous five years. The most recent actuarial evaluation was performed on March 30, 2018 for the year ended December 31, 2017.

**Plan description:**

The Airport sponsors a single employer defined benefit postretirement health care plan for certain qualifying firefighters. The plan is directed and defined by State of Washington Revised Code (RCW 41.26.150). Under the Airport's bargaining unit agreement with its firefighters, the Airport is required to provide medical insurance and full benefit coverage to its LEOFF 1 firefighters from the time of retirement until death. The Plan covers 12 previously retired members. The Airport pays benefits on a pay-as-you-go basis. The accrued benefit liability is determined using the entry age normal cost method. During 2008, the Airport adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postretirement*.

**Funding policy:**

The Airport has not established a trust fund to supplement the cost of OPEB obligation. The Airport remits payments for benefits, consisting of medical insurance premiums and other costs, as incurred.

The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits do not make contributions to the Plan.

**Funding status:**

As of December 31, 2017 and 2016, using the entry age normal cost method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was \$3,351,594 and \$3,693,709, respectively, all of which was unfunded.

**Termination Benefits:**

On July 20, 2015 the January 1, 2014 - December 31, 2018 Local #29 International Association of Firefighter union contract was signed. The agreement offered a voluntary early retirement incentive to five eligible employees. The early retirement program consisted of: one-time incentive payment of \$95,000, a financial advisor allowance of \$500, and a one-time contribution for medical benefits payable to a Health Reimbursement Account (HRA) in the amount of \$18,000 per employee. Three employees exercised their option to retire in 2015 and one employee exercised their option to retire prior to December 31, 2016.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

The schedule of funding progress of the Plan is as follows:

Other Postemployment Health Care Plan (LEOFF Plan 1)  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Compared to Covered Payroll
12/31/2015	-	\$ 3,114,590	\$ 3,114,590	0%	-	0.0%
12/31/2016	-	3,693,709	3,693,709	0%	-	0.0%
12/31/2017		3,351,594	3,351,594	0%	-	0.0%

**Annual OPEB cost and net OPEB obligation:**

The Airport annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the Airport, an amount actuarially determined in accordance with the guidance of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The Airport's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Other Postemployment Health Care Plan (LEOFF Plan 1)  
Schedule of Trend Information

Fiscal Year Ended	Annual OPEB Costs	Actual Contribution	Contribution as % of OPEB Costs	Net OPEB Obligation
12/31/2015	\$ (602,989)	\$ 199,647	-33.11%	\$ 3,114,590
12/31/2016	756,229	\$ 177,110	23.42%	3,693,709
12/31/2017	(199,634)	\$ 142,481	-71.37%	3,351,594

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

The following table shows the components of the Airport's annual OPEB costs for the years ended December 31, 2017 and 2016, the amount actually contributed to the Plan, and changes in the Airport's net OPEB obligation.

LEOFF Plan 1 Members' Medical Service Plan

	2017	2016
Annual required contribution	\$ 3,401,732	\$ 3,792,954
Interest on net OPEB obligation	92,343	77,865
Adjustment to annual required contribution	<u>(3,693,709)</u>	<u>(3,114,590)</u>
Annual OPEB costs (benefits)	(199,634)	756,229
Contributions made	<u>142,481</u>	<u>177,110</u>
Increase (decrease) in net OPEB obligation	(342,115)	579,119
Net OPEB obligation beginning of year	<u>3,693,709</u>	<u>3,114,590</u>
Net OPEB obligation end of year	<u>\$ 3,351,594</u>	<u>\$ 3,693,709</u>

A schedule showing multiyear trend information regarding the actuarial value of plan asset increases or decreases over time relative to the actuarial accrued liability for benefits is contained in the Required Supplemental Information section of this report.

Actuarial valuations of an ongoing plan involves 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, investment rate of return, payroll growth rate, and the health care 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 on 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 cost method used is the Entry Age Normal Cost Method. Under this method the initial liability and subsequent changes or actuarial gains and losses are amortized over a specified period. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the LEOFF Plan 1 Members' Medical Services Plan, the following assumptions were made in the use of the Entry Age Normal Cost Method.

*Retirement Age for Active Employees* - no early retirement was assumed.

*Mortality Rates* - life expectancies were based on RP2014 Mortality Table with 2017 Improvement Rates.

*Medical Inflation Rate* - the expected rate of medical inflation was 9% for 2017 and 2016 reduced by .5% per year until a level 5%.

*Expenses* - no assumption of asset expenses was made.

*Turnover Rate* - the T2 Turnover Table was used.

*Disability Rates* - none were assumed.

*Actuarial Value of Assets* - were valued the same as market value of assets.

*Investment Rate of Return* - a rate of 2.5% was used in 2017, for pre- and post-retirement which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The rates used for the 2016 and 2015 valuations were both 2.5%.



**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 8 - Pension and Benefit Plans (Continued)**

Beginning in 2011 the unfunded actuarial accrued liability is not amortized as the LEOFF Plan 1 Members' Medical Services Plan is closed to new entrants and all of the Plan members have retired. Previously, the actuarial gains and losses were amortized over a fifteen to twenty year period.

**Note 9 - Deferred Compensation**

The Airport offers their employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to substantially all of the Airports' employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan were \$164,784 and \$175,748 for the years ended December 31, 2017 and 2016, respectively.

Effective December 31, 1997, Section 457 of the Internal Revenue Code was amended by Section 1448 of the Small Business Job Protection Act of 1996, which provides that governmental deferred compensation plans must hold all assets and income of the Plan in trust for the exclusive benefit of members and their beneficiaries.

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were approximately \$2,661,014 and \$2,241,445 at December 31, 2017 and 2016, respectively. In accordance with legislation described above, the assets and associated liability of the deferred compensation plan assets are not included in the Airport's statement of net position.

The Airport has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor.

**Note 10 - Rental Income Under Operating Leases**

The Airport leases substantially all terminal building space, as well as other space, to airlines and others. All leases have been treated as operating leases. The costs and related accumulated depreciation of property under leases is not practically determinable as to the segregation of the value of the assets associated with producing minimum rental income and the value of the assets associated with the entire facility. The majority of the Airport's leases relate only to portions of buildings and other spaces. During 2017 and 2016, the Airport recognized income of \$18,326,977 and \$17,137,877, respectively, as a result of these leases.

Future minimum rental payments are receivable under non-cancelable operating leases as follows:

Years ending December 31,	
2018	\$ 15,502,786
2019	10,375,284
2020	8,395,426
2021	7,215,972
2022	4,799,891
Thereafter	<u>8,762,950</u>
Total future minimum rental payments	<u>\$ 55,052,309</u>

These amounts do not include fees, which may be received under certain leases involving car rentals and concessions based on gross receipts. Contingent fees amounted to \$1,901,925 and \$1,442,023 in 2017 and 2016, respectively.

Landing fees received under agreements with all airlines amounted to \$5,069,585 and \$4,500,487 in 2017 and 2016, respectively.

## SPOKANE AIRPORT BOARD

### NOTES TO THE FINANCIAL STATEMENTS

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#### **Note 11 - Related Party Leases**

The Airport has non-cancelable operating land lease agreements with the City of Spokane, a related party. The Airport recognized income of \$141,562, in 2017 and \$141,387 in 2016 as a result of the land leases. The Airport purchases various utilities and permits from the city. In 2017 and 2016 those amounts totaled \$263,602 and \$255,072, respectively.

The Airport has operating lease agreements with various entities within Spokane County, a related party. During 2017 and 2016, the Airport recognized income of \$416,470 and \$416,315, respectively, under the lease agreements. The Airport purchases various services from the county. In 2017 and 2016, those amounts totaled \$21,712 and \$18,477, respectively.

The Airport has operating lease agreements with no agencies in 2017 and one agency in 2016 that have an affiliation with Board members. During 2017 and 2016, the Airport recognized income of \$0 and \$17,315, respectively, under the lease agreements.

Income and future minimum rental payments under the lease agreements are included in amounts in Note 10.

The Airport purchases the majority of its electrical power from Avista Utilities. During 2017 and 2016, employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities \$1,592,909 and \$1,550,825 in 2017 and 2016, respectively

#### **Note 12 - Environmental Liability**

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* requires accrual of pollution remediation obligation amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: (1) imminent endangerment to the public; (2) permit violation; (3) the governmental entity is named as party responsible for sharing costs; (4) the governmental entity is named in a lawsuit to compel participation in pollution remediation; or (5) the governmental entity has commenced or legally obligated itself to commence pollution remediation. Costs incurred for pollution remediation obligations are recorded as environmental expenses unless the expenditure meets specific criteria that allow them to be capitalized.

Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

The Airport has been identified by a state or federal agency as a responsible party (PLP) on a regulatory database, or has voluntarily implemented pollution remediation at a site. Areas the Airport has been identified as a PLP include a former burn pit, soil, and/or groundwater remediation associated with underground storage tanks and leaking underground storage tanks, asbestos abatement, and groundwater remediation/bioremediation as it relates to contaminants.

The Airport has multiple test wells and has retained engineering firms to monitor surface water and groundwater quality to determine the environmental impact of current aircraft and runway deicing practices. Based on these studies and discussions with the Department of Ecology, in April 2010, an application for a State Waste Discharge Permit for Discharge of Industrial Wastewater to Groundwater was submitted on July 11, 2011, and was accepted on August 26, 2011. The Airport is operating under the existing temporary permit.

In July 2015, the Airport submitted to the Department of Ecology an application to land apply recovered aircraft deicing fluid. Ecology has acknowledged receipt of the application and the review period is in effect. Monitoring of the effect of land application of aircraft deicing fluids is on-going.

The Airport has estimated an environmental liability in the amount of \$2,436,115 and \$2,409,865 as of December 31, 2017 and 2016, respectively. The estimate of costs used to establish the liability was developed by using the expected cash flow technique. The liability is an estimate and is subject to changes resulting from price increases, changes in technology, or changes in applicable laws and regulations. At December 31, 2017, it was not known how much of these costs will be recovered from other parties, if any.

**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 13 - Contingencies and Commitments**

**Litigation:**

The Airport is a party to various assertions and legal actions arising in connection with the operation of the Airport, including personal injury claims, employment related claims, and construction claims. In this regard, there are incidents that might result in the assertion of additional claims.

Based on consultation with counsel and an evaluation of such matters, management is of the opinion that such matters either are adequately covered by insurance or valid defenses exist, and the settlement of such matters will not have a material adverse effect on the financial position of the Airport. Accordingly, the financial statements of the Airport do not include any recorded liability related to these claims.

**Commitments:**

During the fiscal year 2017, the Airport entered into various construction and service related contracts totaling \$8,881,564 with remaining commitments totaling \$3,996,356 at year-end. Commitments remaining on previous years contracts totaled \$3,389,584.

**Note 14 - Grants**

Grants the Airport receives are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

**Note 15 - Net Position**

Invested in capital assets, net of debt, consist of the following:

	<u>2017</u>	<u>2016</u>
Long-term assets		
Land	\$ 20,843,688	\$ 19,818,076
Construction in process	10,907,133	7,764,229
Depreciable capital assets, net	<u>229,075,562</u>	<u>236,131,755</u>
Total capital assets	<u>\$ 260,826,383</u>	<u>\$ 263,714,060</u>
Less related liabilities		
Construction Retainage Payable	\$ 446,140	\$ 301,316
Construction Warrants Payable	1,055,271	400,464
Current portion of long-term debt	455,100	2,680,420
Long-term debt	<u>5,042,888</u>	<u>8,865,617</u>
Total liabilities	<u>6,999,399</u>	<u>12,247,817</u>
INVESTED IN CAPITAL ASSETS	<u><u>\$ 253,826,984</u></u>	<u><u>\$ 251,466,243</u></u>

Restricted net position consists of the following:

	<u>2017</u>	<u>2016</u>
Passenger facility charge, investments, restricted for approved projects	\$ 13,741,041	\$ 11,100,538
Customer Facility Charges	8,167,533	5,285,268
Investments restricted for repayment on debt	17,347	2,373,835
Cash restricted for retainages, deposits, and grants	658,245	728,444
Receivable from government Agency	1,668,471	1,979,862
Net Pension Asset	<u>1,525,710</u>	<u>781,920</u>
RESTRICTED NET POSITION	<u><u>\$ 25,778,347</u></u>	<u><u>\$ 22,249,867</u></u>

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 16 - Risk Management**

The Airport can be exposed to a variety of risks or losses related to torts (i.e. injuries to employees, passengers, damage to property, destruction, theft of assets, or natural disasters). The Airport has purchased commercial insurance for coverage of these risks. There have been no significant changes in coverage. There were no settlements in excess of insurance coverage in 2017 and in 2016.

**Note 17 - Subsequent Events**

Early in 2018, the Airport Board approved the following contracts:

Construction contracts	\$ 2,847,032
Consulting contracts	747,640
Service contracts	7,266,505
Goods purchases	<u>903,791</u>
Total Contracts	<u>\$ 11,764,698</u>

# Connecting you to Culture



Required Supplemental Information

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTAL INFORMATION**

**State Sponsored Pension Plans**

**STATE SPONSORED PENSION PLANS:**

Schedule of Proportionate Share of the Net Pension Liability As of June 30				
<b>PERS 1</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.042622%	0.040130%	0.039292%	0.041972%
Employer's proportionate share of the net pension liability	\$ 2,022,447	\$ 2,155,170	\$ 2,072,175	\$ 2,112,914
Employer's covered employee payroll	5,960,060	4,868,988	4,524,442	4,617,726
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	33.93%	44.26%	45.80%	45.76%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%	61.19%
<b>PERS 2/3</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.054863%	0.051356%	0.050566%	0.053087%
Employer's proportionate share of the net pension liability	\$ 1,906,227	\$ 2,585,734	\$ 1,838,537	\$ 1,075,519
Employer's covered employee payroll	5,960,060	4,868,988	4,515,039	4,587,162
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	31.98%	53.11%	40.72%	23.45%
Plan fiduciary net position as a percentage of the total pension liability	35.25%	85.82%	89.20%	93.29%
<b>LEOFF 1</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.032609%	0.034301%	0.035194%	0.036583%
Employer's proportionate share of the net pension liability	\$ (494,750)	\$ (353,398)	\$ (424,165)	\$ (443,675)
Employer's covered employee payroll				23,038
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (3,346,479)	\$ (2,390,378)	\$ (2,869,042)	\$ (3,001,007)
<b>TOTAL</b>	<b>\$ (3,841,229)</b>	<b>\$ (2,743,776)</b>	<b>\$ (3,293,207)</b>	<b>\$ (3,444,682)</b>
Employer's covered employee payroll	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	135.96%	123.74%	127.36%	126.91%
<b>LEOFF 2</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.074294%	0.073676%	0.082249%	0.080339%
Employer's proportionate share of the net pension liability	\$ (1,030,960)	\$ (428,522)	\$ (839,853)	\$ (1,060,517)
State's proportionate share of the net pension liability (asset) associated with the employer	(668,764)	(279,365)	(555,133)	\$ (692,922)
<b>TOTAL</b>	<b>\$ (1,699,724)</b>	<b>\$ (707,887)</b>	<b>\$ (1,394,986)</b>	<b>\$ (1,753,439)</b>
Employer's covered employee payroll	2,476,968	2,278,302	2,384,962	2,256,310
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-68.62%	-31.07%	-58.49%	-77.71%
Plan fiduciary net position as a percentage of the total pension liability	113.36%	106.04%	111.67%	116.75%



**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTAL INFORMATION**

**State Sponsored Pension Plans (Continued)**

Schedule of Employer Contributions As of December 31				
<b>PERS 1</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
Statorily or contractually required contributions	\$ 271,541	\$ 245,770	\$ 205,343	\$ 182,726
Contributions in relation to the statorily or contractually required contributions	271,541	245,770	205,343	182,726
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	5,538,859	5,193,812	4,669,550	4,543,077
Contributions as a percentage of covered employee payroll	4.90%	4.73%	4.40%	4.02%
<b>PERS 2/3</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
Statorily or contractually required contributions	\$ 380,628	\$ 321,470	\$ 263,805	\$ 227,331
Contributions in relation to the statorily or contractually required contributions	380,628	321,470	263,805	227,331
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	5,538,859	5,193,812	4,669,550	4,543,077
Contributions as a percentage of covered employee payroll	6.87%	6.19%	5.65%	5.00%
<b>LEOFF 1</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
Statorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statorily or contractually required contributions	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	-	-	-	-
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%
<b>LEOFF 2</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
Statorily or contractually required contributions	\$ 120,068	\$ 112,905	\$ 119,085	\$ 119,032
Contributions in relation to the statorily or contractually required contributions	120,068	112,905	119,085	119,032
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	2,330,224	2,235,741	2,358,113	2,357,062
Contributions as a percentage of covered employee payroll	5.15%	5.05%	5.05%	5.05%

\* GASB Statement No. 68 requires ten years of information to be presented in this table, however, until a full 10-year trend is compiled, the Airport will present information for those years for which information is available.

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTAL INFORMATION**

**Other Postemployment Health Care Benefits**

The following information is based on an actuarial report prepared on March 30, 2018, for the fiscal years ending December 31, 2016 and 2015.

**Trend Information:**

Other Postemployment Health Care Plan (LEOFF Plan 1)			
Schedule of Employer Contributions			
Fiscal Year Ended	Actual Contribution	Annual Required Contribution	% of Actual to Required Contribution
12/31/2015	\$ 199,647	\$ 3,235,892	6.17%
12/31/2016	177,110	3,792,954	4.67%
12/31/2017	142,481	3,401,732	4.19%

**Funding Progress:**

Other Postemployment Health Care Plan (LEOFF Plan 1)						
Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Compared to Covered Payroll
12/31/2015	-	\$ 3,114,590	\$ 3,114,590	0%	-	0.0%
12/31/2016	-	3,693,709	3,693,709	0%	-	0.0%
12/31/2017		3,351,594	3,351,594	0%	-	0.0%

The above table presents the two most recent actuarial valuations for Spokane Airport postretirement medical plan and provides information that approximates the funding progress of the Plan.

**Employer Contributions:**

Other Postemployment Health Care Plan (LEOFF Plan 1)				
Schedule of Trend Information				
Fiscal Year Ended	Annual OPEB Costs	Actual Contribution	Contribution as % of OPEB Costs	Net OPEB Obligation
12/31/2015	\$ (602,989)	\$ 199,647	-33.11%	\$ 3,114,590
12/31/2016	756,229	\$ 177,110	23.42%	3,693,709
12/31/2017	(199,634)	\$ 142,481	-71.37%	3,351,594

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTAL INFORMATION**

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Other Postemployment Health Care Benefits - (Continued)

**Notes to RSI:**

**Actuarial assumptions:**

*Retirement Age for Active Employees* - no early retirement was assumed.

*Mortality Rates* - life expectancies were based on RP2014 Mortality Table with 2017 Improvement Rates.

*Medical Inflation Rate* - the expected rate of medical inflation was 9% for 2017 and 2016 reduced by .5% per year until a level 5%.

*Expenses* - no assumption of asset expenses was made.

*Turnover Rate* - the T2 Turnover Table was used.

*Disability Rates* - none were assumed.

*Actuarial Value of Assets* - were valued the same as market value of assets.

*Investment Rate of Return* - a rate of 2.5% was used in 2017 for pre- and post-retirement, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The rates used for the 2016 and 2015 valuations were 2.5% and 2.5%, respectively.

**Participants:**

*Members* - As of December 31, 2017, there were 12 retired members.

# Connecting you to Events



Statistical Section

## SPOKANE AIRPORT BOARD STATISTICAL INFORMATION GROUPS

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### **Financial Trends**

These schedules contain trend information to help the reader understand how the Airport's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the Airport's ability to generate its airline and non-airline revenues.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Airport's current levels of outstanding debt and its ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Airport's financial activities take place and to help make comparisons over time with other airports.

### **Operating Information**

These schedules contain information about the Airport's operations and resources to help the reader understand how its financial information relates to the services the Airport provides and the activities it performs.

**SPOKANE AIRPORT BOARD  
SCHEDULE OF NET POSITION**

*Fiscal Year Ended December 31*

	2017	2016	2015
<b>ASSETS</b>			
Current Assets	\$ 37,820,736	\$ 35,261,154	\$ 37,117,418
Noncurrent Assets			
Other Noncurrent Assets	23,909,284	19,997,073	13,977,546
Capital Assets	260,826,383	263,714,060	270,723,339
Total Assets	322,556,403	318,972,287	321,818,303
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>878,175</b>	<b>1,231,285</b>	<b>603,135</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 7,161,243	\$ 6,782,112	\$ 8,100,546
Non Current Liabilities			
Other Noncurrent Liabilities	11,054,735	12,437,263	11,496,951
Long-term debt, due in more than one year	5,042,888	8,865,617	11,546,038
Total Liabilities	23,258,866	28,084,992	31,143,535
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>1,038,072</b>	<b>195,476</b>	<b>1,018,778</b>
<b>NET POSITION</b>			
Net Investment in capital assets	253,826,984	251,466,243	256,084,993
Restricted	25,778,347	22,407,737	15,964,052
Unrestricted	19,532,309	18,049,124	18,210,080
Total Net Position	<u>\$299,137,640</u>	<u>\$291,923,104</u>	<u>\$290,259,125</u>

*Source: Spokane Airport Finance Dept.*

<sup>1</sup> *This year has been restated to reflect the adoption of GASB 68*



**SPOKANE AIRPORT BOARD  
SCHEDULE OF NET POSITION**

2014 <sup>1</sup>	2013	2012	2011	2010	2009	2008
\$ 42,960,697	\$ 45,508,746	\$ 45,342,523	\$ 48,538,487	\$ 42,179,500	\$ 47,844,031	\$ 43,373,328
6,466,560	8,413,356	7,366,982	7,510,352	6,732,834	9,224,975	16,869,860
271,533,942	259,955,461	255,529,286	247,657,219	234,136,254	208,916,396	179,634,207
320,961,199	313,877,563	308,238,791	303,706,058	283,048,588	265,985,402	239,877,395
292,965	-	-	-	-	-	-
\$ 8,664,497	\$ 12,790,448	\$ 11,369,189	\$ 8,550,251	\$ 9,882,185	\$ 10,922,278	\$ 7,976,860
10,993,570	9,348,524	9,358,826	9,701,630	8,912,751	8,532,910	8,245,154
14,390,997	17,695,857	20,790,431	23,784,143	26,457,516	26,582,981	28,294,376
34,049,064	39,834,829	41,518,446	42,036,024	45,252,452	46,038,169	44,516,390
2,136,654	-	-	-	-	-	-
253,547,618	237,963,305	229,895,863	217,956,169	205,244,923	179,430,874	151,578,723
10,559,373	14,361,161	12,483,282	12,519,225	11,415,113	14,861,034	16,330,126
20,961,455	21,718,268	24,341,200	31,194,640	21,136,100	25,655,325	27,452,156
\$285,068,446	\$274,042,734	\$266,720,345	\$261,670,034	\$237,796,136	\$219,947,233	\$195,361,005

**SPOKANE AIRPORT BOARD**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

*Fiscal Year Ended December 31*

	2017	2016	2015
Operating revenues:			
Airfield	\$ 5,970,732	\$ 5,352,771	\$ 4,474,681
Passenger terminal	13,484,639	12,163,996	11,549,505
Leased buildings	2,713,526	2,937,847	2,678,422
Leased areas	2,128,812	2,036,034	1,997,955
Parking and ground transportation	11,777,170	10,239,333	9,413,381
Other	173,473	366,006	122,579
<b>Total Operating Revenue</b>	<b>36,248,352</b>	<b>33,095,987</b>	<b>30,236,523</b>
Operating expenses:			
Airfield	10,673,183	9,986,991	8,281,472
Passenger terminal	5,017,850	5,026,242	4,507,214
Leased buildings	1,517,032	1,116,535	2,075,678
Parking and ground transportation	4,384,068	3,634,293	3,014,796
Administration and operations	5,346,960	4,704,379	4,638,465
<b>Total Operating Expense</b>	<b>26,939,093</b>	<b>24,468,440</b>	<b>22,517,625</b>
Operating income before depreciation	9,309,259	8,627,547	7,718,898
Depreciation	22,843,205	22,266,977	20,554,491
Operating income (loss)	(13,533,946)	(13,639,430)	(12,835,593)
Nonoperating revenues (expenses):			
Interest income	820,159	739,299	501,573
Interest expense, including amortization of bond premiums	(182,682)	(300,324)	(391,774)
Gain (loss) on disposition of assets	(168,032)	(28,769)	9,270
Gain (loss) on investments	(178,761)	(180,518)	-
Gain (loss) on redemption of bonds	(1,685)	-	-
Grant revenue	445,953	303,208	331,051
Grant expense	(445,953)	(303,208)	(331,051)
Transaction fee	3,330,079	3,191,471	3,090,745
Passenger facility charges	6,866,466	6,223,821	5,989,211
<b>Total Nonoperating revenue (expenses)</b>	<b>10,485,544</b>	<b>9,644,980</b>	<b>9,199,025</b>
Increase (Decrease) in net assets before capital grants and related items	(3,048,402)	(3,994,450)	(3,636,568)
Capital contributions			
Total Capital Contributions	10,262,938	5,658,429	8,827,247
Increase In Net Position	7,214,536	1,663,979	5,190,679
Net position, beginning of year, as restated	291,923,104	290,259,125	285,068,446
<b>Net position, end of year</b>	<b>\$299,137,640</b>	<b>\$291,923,104</b>	<b>\$290,259,125</b>

Source: Spokane Airport Finance Dept.

<sup>1</sup> This year has been restated to reflect the adoption of GASB 68

**SPOKANE AIRPORT BOARD**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

2014 <sup>1</sup>	2013	2012	2011	2010	2009	2008
\$ 3,967,783	\$ 4,330,579	\$ 4,715,829	\$ 4,868,650	\$ 4,815,980	\$ 4,074,866	\$ 4,295,377
10,971,883	10,484,004	10,452,201	10,519,971	10,522,276	9,818,563	9,646,288
2,243,089	2,273,517	2,324,069	2,318,989	2,017,726	1,887,568	1,791,483
1,916,875	1,848,795	1,577,762	1,699,951	1,598,592	1,459,603	1,470,687
8,617,186	8,380,053	8,317,095	8,410,865	8,523,998	8,309,996	9,368,490
119,581	152,856	99,065	153,996	121,011	181,656	132,326
27,836,397	27,469,804	27,486,021	27,972,422	27,599,583	25,732,252	26,704,651
8,946,017	8,952,352	8,041,863	8,536,085	7,490,835	6,947,641	6,509,011
4,361,006	4,343,695	3,962,181	4,060,664	3,624,156	3,922,996	4,005,179
942,667	1,368,734	1,028,150	611,989	642,503	392,230	866,034
2,551,534	2,820,033	2,153,263	1,932,412	1,529,511	1,338,322	1,081,292
4,597,557	4,774,382	3,993,964	4,060,758	5,153,054	4,039,907	6,298,571
21,398,781	22,259,196	19,179,421	19,201,908	18,440,059	16,641,096	18,760,087
6,437,616	5,210,608	8,306,600	8,770,514	9,159,524	9,091,156	7,944,564
18,176,458	16,779,037	14,986,692	13,324,266	11,463,381	9,232,226	8,983,494
(11,738,842)	(11,568,429)	(6,680,092)	(4,553,752)	(2,303,857)	(141,070)	(1,038,930)
432,246	423,440	576,935	516,388	401,232	927,056	1,908,165
(491,735)	(582,921)	(675,831)	(763,536)	(1,244,145)	(1,316,724)	(1,083,722)
89,315	213,000	(23,709)	(957,231)	(2,078,903)	(10,150)	(58,058)
-	-	-	-	-	-	-
381,572	314,874	482,895	447,913	343,268	608,551	-
(373,773)	(295,652)	(451,006)	(426,424)	(343,268)	(608,551)	-
2,738,343	2,691,068	2,263,582	2,119,929	2,031,312	1,935,327	2,322,987
5,721,871	5,650,426	5,763,073	6,013,364	6,480,728	5,974,672	6,839,096
8,497,839	8,414,235	7,935,939	6,950,403	5,590,224	7,510,181	9,928,468
(3,241,003)	(3,154,194)	1,255,847	2,396,651	3,286,367	7,369,111	8,889,538
18,128,544	10,476,583	3,794,464	21,865,445	14,562,536	17,217,117	7,623,563
14,887,541	7,322,389	5,050,311	24,262,096	17,848,903	24,586,228	16,513,101
270,180,905	266,720,345	261,670,034	237,407,938	219,947,233	195,361,005	178,847,904
\$285,068,446	\$274,042,734	\$266,720,345	\$261,670,034	\$237,796,136	\$219,947,233	\$195,361,005

**SPOKANE AIRPORT BOARD**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SIA**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014 <sup>1</sup>
	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport
Operating revenue:				
Airfield	\$ 5,919,924	\$ 5,305,671	\$ 4,431,776	\$ 3,932,013
Passenger terminal	13,458,135	12,136,938	11,514,106	10,846,392
Leased buildings	1,200,745	1,113,068	1,132,383	831,173
Leased areas	1,520,217	1,426,503	1,402,335	1,343,875
Parking and ground transportation	11,777,170	10,239,333	9,413,381	8,617,186
Other	164,128	235,991	112,231	87,471
<b>Total Operating Income</b>	<b>34,040,319</b>	<b>30,457,504</b>	<b>28,006,212</b>	<b>25,658,110</b>
Operating expenses:				
Airfield	10,558,234	9,888,115	8,145,688	8,775,411
Passenger terminal	4,961,463	4,848,628	4,449,826	4,306,244
Leased buildings	834,144	563,129	1,026,997	421,634
Parking and ground transportation	4,384,068	3,634,293	3,014,796	2,551,534
Administration and operations	4,852,462	4,310,452	4,051,309	3,997,421
<b>Total Operating Expenses</b>	<b>25,590,371</b>	<b>23,244,617</b>	<b>20,688,616</b>	<b>20,052,244</b>
Operating income before depreciation	8,449,948	7,212,887	7,317,596	5,605,866
Depreciation	20,942,463	20,709,014	19,262,846	17,103,075
<b>Operating income (loss)</b>	<b>(12,492,515)</b>	<b>(13,496,127)</b>	<b>(11,945,250)</b>	<b>(11,497,209)</b>
Nonoperating income (expense):				
Other nonoperating income (expenses)	352,798	313,634	183,156	114,680
Transaction fee	3,330,079	3,191,471	3,090,745	2,738,343
Passenger facility charges	6,866,466	6,223,821	5,989,211	5,721,871
<b>Total Nonoperating income (expense)</b>	<b>10,549,343</b>	<b>9,728,926</b>	<b>9,263,112</b>	<b>8,574,894</b>
Increase (decrease) in net assets before capital grants and related items	(1,943,172)	(3,767,201)	(2,682,138)	(2,922,315)
Capital contributions				
<b>Total Capital Contributions</b>	<b>10,110,510</b>	<b>521,127</b>	<b>8,672,131</b>	<b>15,765,085</b>
<b>Increase In Net Position</b>	<b>\$ 8,167,338</b>	<b>\$ (3,246,074)</b>	<b>\$ 5,989,993</b>	<b>\$ 12,842,770</b>

Source: Spokane Airport Finance Dept.

<sup>1</sup> This year has been restated to reflect the adoption of GASB 68

**SPOKANE AIRPORT BOARD**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SIA**

2013	2012	2011	2010	2009	2008
Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport
\$ 4,297,210	\$ 4,680,552	\$ 4,828,015	\$ 4,769,467	\$ 4,052,470	\$ 4,251,145
10,356,832	10,323,463	10,345,751	10,327,173	9,517,920	9,366,965
790,627	731,372	729,172	593,182	539,443	544,081
1,277,621	1,076,628	1,241,546	1,022,766	948,406	990,943
8,380,053	8,317,095	8,410,865	8,523,998	8,309,996	9,368,490
136,839	92,041	153,996	109,724	169,408	130,699
25,239,182	25,221,151	25,709,345	25,346,310	23,537,643	24,652,323
8,773,024	7,961,434	8,355,216	7,175,460	6,586,512	5,983,456
4,290,847	3,909,329	3,956,630	3,550,715	3,730,980	3,846,642
316,013	601,263	208,547	356,690	136,579	490,518
2,820,033	2,153,263	1,932,412	1,529,511	1,338,322	1,081,292
4,201,351	3,385,093	3,503,278	4,740,545	3,648,729	5,888,267
20,401,268	18,010,382	17,956,083	17,352,921	15,441,122	17,290,176
4,837,914	7,210,769	7,753,262	7,993,389	8,096,521	7,362,147
15,739,751	14,046,683	12,358,452	10,652,847	8,317,873	8,208,185
(10,901,837)	(6,835,914)	(4,605,190)	(2,659,458)	(221,352)	(846,037)
(60,158)	(116,776)	(1,176,132)	(2,805,571)	(267,725)	3,717,725
2,691,068	2,263,582	2,119,929	2,031,312	1,935,327	2,322,987
5,650,426	5,763,073	6,013,364	6,480,728	5,974,672	6,839,096
8,281,336	7,909,879	6,957,161	5,706,469	7,642,274	12,879,808
(2,620,501)	1,073,965	2,351,971	3,047,011	7,420,922	12,033,771
6,116,754	2,050,985	21,704,726	12,970,242	16,703,517	7,108,436
\$ 3,496,253	\$ 3,124,950	\$ 24,056,697	\$ 16,017,253	\$ 24,124,439	\$ 19,142,207

**SPOKANE AIRPORT BOARD**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ABP**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014 <sup>1</sup>
	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park
Operating revenue:				
Airfield	\$ -	\$ -	\$ -	\$ -
Passenger terminal	-	-	-	-
Leased buildings	1,219,369	1,533,543	1,258,204	1,242,930
Leased areas	240,177	240,162	242,389	237,144
Parking and ground transportation	-	-	-	-
Other	8,849	129,845	10,257	17,972
<b>Total Operating Income</b>	<b>1,468,395</b>	<b>1,903,550</b>	<b>1,510,850</b>	<b>1,498,046</b>
Operating expenses:				
Airfield	-	-	-	-
Passenger terminal	-	-	-	-
Leased buildings	449,715	595,892	828,682	424,278
Parking and ground transportation	-	-	-	-
Administration and operations	194,901	168,405	268,524	238,336
<b>Total Operating Expenses</b>	<b>644,616</b>	<b>764,297</b>	<b>1,097,206</b>	<b>662,614</b>
Operating income before depreciation	823,779	1,139,253	413,644	835,432
Depreciation	464,478	470,754	430,080	424,463
<b>Operating income (loss)</b>	<b>359,301</b>	<b>668,499</b>	<b>(16,436)</b>	<b>410,969</b>
Nonoperating income (expense):				
Other nonoperating income (expenses)	(68,467)	(74,778)	(69,064)	(82,261)
Transaction fee	-	-	-	-
Passenger facility charges	-	-	-	-
<b>Total Nonoperating income (expense)</b>	<b>(68,467)</b>	<b>(74,778)</b>	<b>(69,064)</b>	<b>(82,261)</b>
<b>Increase (decrease) in net assets before capital grants and related items</b>	<b>290,834</b>	<b>593,721</b>	<b>(85,500)</b>	<b>328,708</b>
Capital contributions				
<b>Total Capital Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) In Net Position</b>	<b>\$ 290,834</b>	<b>\$ 593,721</b>	<b>\$ (85,500)</b>	<b>\$ 328,708</b>

*Source: Spokane Airport Finance Dept.:*

<sup>1</sup> *This year has been restated to reflect the adoption of GASB 68*



**SPOKANE AIRPORT BOARD**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ABP**

2013	2012	2011	2010	2009	2008
Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,337,232	1,358,385	1,372,183	1,327,862	1,248,585	1,158,052
233,593	232,757	195,124	190,189	277,818	245,255
-	-	-	-	-	-
15,807	10,111	-	17,310	9,502	1,575
<u>1,586,632</u>	<u>1,601,253</u>	<u>1,567,307</u>	<u>1,535,361</u>	<u>1,535,905</u>	<u>1,404,882</u>
-	-	102,799	124,814	136,796	343,742
-	-	48	(104)	59,958	78,532
966,712	346,368	269,286	206,239	171,383	297,367
-	-	-	-	-	-
<u>250,968</u>	<u>269,499</u>	<u>271,551</u>	<u>264,317</u>	<u>233,812</u>	<u>267,211</u>
<u>1,217,680</u>	<u>615,867</u>	<u>643,684</u>	<u>595,266</u>	<u>601,949</u>	<u>986,852</u>
368,952	985,386	923,623	940,095	933,956	418,030
<u>421,069</u>	<u>452,050</u>	<u>486,735</u>	<u>363,105</u>	<u>545,935</u>	<u>434,388</u>
<u>(52,117)</u>	<u>533,336</u>	<u>436,888</u>	<u>576,990</u>	<u>388,021</u>	<u>(16,358)</u>
(87,355)	8,831	(17,362)	(119,875)	(132,093)	(135,612)
-	-	-	-	-	-
-	-	-	-	-	-
<u>(87,355)</u>	<u>8,831</u>	<u>(17,362)</u>	<u>(119,875)</u>	<u>(132,093)</u>	<u>(135,612)</u>
<u>(139,472)</u>	<u>542,167</u>	<u>419,526</u>	<u>457,115</u>	<u>255,928</u>	<u>(151,970)</u>
-	-	-	-	-	-
<u>\$ (139,472)</u>	<u>\$ 542,167</u>	<u>\$ 419,526</u>	<u>\$ 457,115</u>	<u>\$ 255,928</u>	<u>\$ (151,970)</u>

**SPOKANE AIRPORT BOARD  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-FELTS  
FIELD**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014 <sup>1</sup>
	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport
Operating revenue:				
Airfield	\$ 50,808	\$ 47,100	\$ 42,905	\$ 35,770
Passenger terminal	26,504	27,058	35,399	125,491
Leased buildings	293,412	291,236	287,835	168,986
Leased areas	368,418	369,369	353,231	335,856
Parking and ground transportation	-	-	-	-
Other	496	170	91	14,138
<b>Total Operating Income</b>	<b>739,638</b>	<b>734,933</b>	<b>719,461</b>	<b>680,241</b>
Operating expenses:				
Airfield	114,949	98,876	135,784	170,606
Passenger terminal	56,387	177,614	57,388	54,762
Leased buildings	233,173	(42,486)	219,999	96,755
Parking and ground transportation	-	-	-	-
Administration and operations	299,597	225,522	318,632	361,800
<b>Total Operating Expenses</b>	<b>704,106</b>	<b>459,526</b>	<b>731,803</b>	<b>683,923</b>
Operating income before depreciation	35,532	275,407	(12,342)	(3,682)
Depreciation	1,436,264	1,087,209	861,565	648,920
<b>Operating income (loss)</b>	<b>(1,400,732)</b>	<b>(811,802)</b>	<b>(873,907)</b>	<b>(652,602)</b>
Nonoperating income (expense):				
Other nonoperating income (expense)	4,668	(9,168)	4,977	5,206
<b>Total Nonoperating income (expense)</b>	<b>4,668</b>	<b>(9,168)</b>	<b>4,977</b>	<b>5,206</b>
Increase (decrease) in net assets before capital grants and related items	(1,396,064)	(820,970)	(868,930)	(647,396)
Capital contributions				
<b>Total Capital Contributions</b>	<b>152,428</b>	<b>5,137,302</b>	<b>155,116</b>	<b>2,363,459</b>
<b>Increase (Decrease) In Net Position</b>	<b>\$ (1,243,636)</b>	<b>\$ 4,316,332</b>	<b>\$ (713,814)</b>	<b>\$ 1,716,063</b>

Source: Spokane Airport Finance Dept.

<sup>1</sup> This year has been restated to reflect the adoption of GASB 68

**SPOKANE AIRPORT BOARD**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-FELTS**  
**FIELD**

2013	2012	2011	2010	2009	2008
Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport
\$ 33,369	\$ 35,277	\$ 40,635	\$ 46,513	\$ 22,396	\$ 44,232
127,172	128,738	174,220	195,103	194,604	192,813
145,658	234,312	217,634	96,682	99,540	89,350
337,581	268,377	263,281	385,637	339,418	320,999
-	-	-	-	-	-
210	(3,087)	-	(6,023)	2,746	52
643,990	663,617	695,770	717,912	658,704	647,446
179,328	80,429	78,070	190,561	224,333	181,814
52,848	52,852	103,986	73,545	132,058	80,005
86,009	80,519	134,156	79,574	84,268	78,149
-	-	-	-	-	-
322,063	339,372	285,929	148,192	157,366	143,093
640,248	553,172	602,141	491,872	598,025	483,061
3,742	110,445	93,629	226,040	60,679	164,386
618,217	487,959	479,079	447,429	368,418	340,921
(614,475)	(377,514)	(385,450)	(221,389)	(307,739)	(176,535)
220,254	17,229	10,604	3,630	-	-
220,254	17,229	10,604	3,630	-	-
(394,221)	(360,285)	(374,846)	(217,759)	(307,739)	(176,535)
4,359,829	1,743,479	160,719	1,592,294	513,600	515,127
\$ 3,965,608	\$ 1,383,194	\$ (214,127)	\$ 1,374,535	\$ 205,861	\$ 338,592

**SPOKANE AIRPORT BOARD  
PRINCIPAL REVENUE SOURCES**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014
Landing fees	\$ 5,067,905	\$ 4,500,487	\$ 3,730,495	\$ 3,244,491
Leased buildings and land	4,842,338	4,973,881	4,676,377	4,159,964
Rental cars	9,339,219	8,734,510	8,344,923	7,552,129
Parking lots	11,777,170	10,239,333	9,413,381	8,617,186
PFC	6,866,466	6,223,821	5,989,211	5,721,871
Transaction fee	3,330,079	3,191,471	3,090,745	2,738,343
Interest revenue	820,159	739,299	501,573	432,246
<b>Total</b>	<b>\$ 42,043,336</b>	<b>\$ 38,602,802</b>	<b>\$ 35,746,705</b>	<b>\$ 32,466,230</b>

*Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD  
PRINCIPAL REVENUE SOURCES**

	2013	2012	2011	2010	2009	2008
\$	3,559,238	\$ 3,933,870	\$ 3,969,729	\$ 4,024,944	\$ 3,471,593	\$ 3,428,228
	4,122,312	3,901,831	4,018,940	3,616,318	3,347,171	3,262,170
	7,208,270	6,413,052	6,633,898	6,342,177	6,118,042	6,476,079
	8,380,053	8,317,095	8,410,865	8,523,998	8,309,996	9,368,490
	5,650,426	5,763,073	6,013,364	6,480,728	5,974,672	6,839,096
	2,691,068	2,263,582	2,119,929	2,031,312	1,935,327	2,322,987
	423,440	576,935	516,388	401,232	927,056	1,908,165
\$	32,034,807	\$ 31,169,438	\$ 31,683,113	\$ 31,420,709	\$ 30,083,857	\$ 33,605,215

**SPOKANE AIRPORT BOARD  
PRINCIPAL REVENUE PAYERS**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014
<b>Airlines</b>				
Alaska	\$ 3,144,288	\$ 2,150,004	\$ 2,039,808	\$ 1,807,697
American	762,909	571,597	178,888	601,033
US Airways	-	-	458,765	-
Delta	2,621,085	2,713,196	2,366,786	1,751,495
Frontier	-	-	-	353,739
Northwest	-	-	-	-
Southwest	2,417,206	2,158,340	1,867,929	1,687,789
United	1,477,956	971,559	950,827	868,638
Horizon	-	1,020,064	928,603	778,935
Skywest	-	-	-	-
Fed Ex	707,943	698,059	593,287	562,916
UPS	620,347	577,803	489,145	438,649
Total	11,751,734	10,860,620	9,874,038	8,850,891
<b>Rental Cars</b>				
Avis	1,246,053	1,185,806	1,125,126	1,069,628
Budget	919,445	949,582	936,582	873,780
Dollar	-	-	-	-
Enterprise	1,631,257	1,492,060	1,399,785	1,073,449
Hertz	1,973,596	1,833,140	1,866,968	1,762,453
National	2,092,655	1,985,038	1,822,921	1,515,865
Thrifty	1,476,213	1,288,883	1,193,541	1,256,954
Total	9,339,219	8,734,510	8,344,923	7,552,129
Parking	11,777,170	10,239,333	9,413,381	8,617,186
Total	\$ 32,868,123	\$ 29,834,463	\$ 27,632,342	\$ 25,020,206

*Source: Spokane Airport Finance Dept.*



**SPOKANE AIRPORT BOARD  
PRINCIPAL REVENUE PAYERS**

	2013	2012	2011	2010	2009	2008
\$	719,372	\$ 668,526	\$ 562,394	\$ 605,124	\$ 663,586	\$ 655,816
	625,613	627,818	569,800	659,434	450,639	412,491
	-	-	-	-	-	-
	1,669,190	1,565,516	1,554,431	1,273,941	260,857	227,681
	354,415	548,971	491,614	428,817	270,844	217,674
	-	-	-	14,134	511,978	487,557
	1,821,016	1,952,076	2,149,286	2,220,698	1,767,548	1,694,062
	868,563	933,089	842,011	1,174,456	692,920	763,678
	2,038,311	1,927,097	1,831,580	1,880,897	1,414,506	1,371,750
	-	30,733	44,103	2,055	516,717	357,581
	562,044	531,599	520,419	402,933	307,746	293,555
	470,928	488,111	475,290	470,151	421,738	400,358
	<u>9,129,452</u>	<u>9,273,536</u>	<u>9,040,928</u>	<u>9,132,640</u>	<u>7,279,079</u>	<u>6,882,203</u>
	1,026,070	1,052,031	1,014,621	935,431	940,039	975,586
	868,038	905,528	832,744	783,691	956,974	992,640
	-	376,883	515,593	528,080	496,416	581,564
	1,144,307	738,914	995,483	836,623	739,739	892,117
	1,715,856	1,705,194	1,469,630	1,466,030	1,309,490	1,411,182
	1,271,840	910,691	1,216,155	1,212,578	1,081,109	1,018,338
	1,182,159	723,811	589,672	579,744	594,275	604,652
	<u>7,208,270</u>	<u>6,413,052</u>	<u>6,633,898</u>	<u>6,342,177</u>	<u>6,118,042</u>	<u>6,476,079</u>
	<u>8,380,053</u>	<u>8,317,095</u>	<u>8,410,865</u>	<u>8,523,998</u>	<u>8,309,996</u>	<u>9,368,490</u>
\$	<u>24,717,775</u>	<u>24,003,683</u>	<u>24,085,691</u>	<u>23,998,815</u>	<u>21,707,117</u>	<u>22,726,772</u>

## SPOKANE AIRPORT BOARD RATES AND CHARGES

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*Fiscal Years Ended December 31*

	2017	2016	2015	2014
Landing Fees (per each 1,000 lbs.)	2.07	1.98	1.72	1.52
Annual Terminal Rentals (per sq. ft.)				
Ticket Counter	50.82	48.84	49.92	48.96
Office	38.11	36.63	47.52	46.54
Baggage Area	38.11	36.63	48.96	46.54
Annual Cargo Building Rental (per sq. ft.)	9.72	9.35	9.12	8.88
Monthly Gate Parking	450.00	450.00	425.00	425.00
Monthly Jet Bridge	1,750.00	1,800.00	1,700.00	1,560.00

*Source: Spokane International Airport Property Management*

**SPOKANE AIRPORT BOARD  
RATES AND CHARGES**

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2013	2012	2011	2010	2009	2008
1.73	1.79	1.73	1.73	1.50	1.32
46.46	44.16	44.16	44.16	38.35	36.35
44.31	42.12	42.12	42.12	36.67	34.76
44.31	42.12	42.12	42.12	36.67	25.28
8.38	7.97	7.97	7.97	6.93	6.57
425.00	425.00	425.00	425.00	369.88	350.60
1,560.00	1,560.00	1,560.00	1,560.00	1,356.22	1,285.52

**SPOKANE AIRPORT BOARD  
CAPITAL ASSETS AND OTHER AIRPORT INFORMATION**

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Airport Code:	GEG; SFF	
FAA Category:	Primary commercial service airport, small hub	
Elevation:	2,385 feet above sea level	
Port of Entry:	Federal Inspection Station, U.S. Customs and Border Protection Service for clearing international general aviation, corporate aircraft, and charter flights for entry into the United States.	
About GEG:	Spokane International Airport (GEG) is a 6,140 acre commercial service airport served by five airlines and three air cargo carriers. GEG is jointly owned by Spokane County and the City of Spokane, and is the second busiest airport in the State of Washington in terms of passenger and cargo service.	
About SFF:	Felts Field (SFF) is a 400 acre general reliever airport that is home to 176 based aircraft and approximately 85 tenants and 200 sub-tenants. The airport has a mix of commercial operators including a full-service Fixed Base Operator, avionics services provider, fixed and rotary wing aircraft flight schools, aircraft maintenance training programs, a significant regional medevac operator, a metals fabricator, and an aircraft power-plant modification firm with a global clientele.	
About the Business Park:	The Airport Business Park is adjacent to Spokane International Airport and has approximately 432 acres available for development across nine development categories. The Business Park is home to the region's post office sorting facility, warehousing, manufacturing, and shipping facilities.	
Location:	GEG is located in Spokane County, the largest metropolitan area in the region and in the eastern half of the state. GEG is located southwest of downtown Spokane and southeast of Airway Heights. SFF is located on the Spokane River with 6,000 feet of river frontage; it has the ability to accommodate water landings. Spokane's location with regard to other major cities is as follows: Seattle is 280 miles west; Portland is 344 miles to the southwest; Boise is 428 miles south; and Vancouver BC (Canada) is 409 miles northwest.	
Terminal:	The GEG terminal building includes three concourse areas, (A, B, and C) with a combined total of 18 gates - 4 ground boarding and 14 with passenger boarding bridges (PBB). The consolidated rental car facility is located at the north end of the terminal building. Two parking structures are connected to the terminal by skywalks.	
Runways:	3-21 GEG	11,002 ft. long, 150 ft. wide
	7-25 GEG	8,199 ft. long, 150 ft. wide
	4L-22R SFF	4,499 ft. long, 150 ft. wide
	4R-22L SFF	2,650 ft. long, 75 ft. wide
Consolidated rental car facility:	Number of companies	9
	Quick turnaround bays	20
Public parking lots:	Parking Garage	2,610 spaces
	Outside Lot	1,734 spaces
	C-Concourse Lot	805 spaces
	Economy	1,845 spaces
	Hourly	83 spaces
	Cell Phone	85 spaces
	Employee	350 spaces

*Source: Spokane Airport Finance Dept.*

**Spokane Airport BOARD**  
**NUMBER OF EMPLOYEES BY DEPARTMENT**

Number of Employees by Department										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Department</b>										
Administration	14	14	13	14	13	12	16	16	17	16
IT	3	3	3	3	2	2	2	2	2	1
Engineering	3	3	2	4	4	3	3	4	4	4
Fire	13	13	14	16	15	18	17	19	20	20
Operations	8	7	5	7	5	6	5	5	5	6
Police	13	12	13	14	15	15	17	16	17	17
Dispatch	7	7	7	8	9	8	7	6	7	8
Terminal Maintenance	13	13	12	12	13	13	12	13	12	12
Airfield Maintenance *	27	25	29	29	24	24	28	26	24	22
Airport Business Park	2	2	2	3	4	3	3	2	2	3
Felts Field	2	1	3	2	2	2	2	2	2	2
Fuel Facility	4	5	4	5	4	5	4	5	6	6
Parking **	46	48	48	46	39	42	38	36	36	35
<b>Totals</b>	<b>155</b>	<b>153</b>	<b>155</b>	<b>163</b>	<b>149</b>	<b>153</b>	<b>154</b>	<b>152</b>	<b>154</b>	<b>152</b>

*\* includes overhires*

*\*\* includes part time employees*

*Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD**  
**ENPLANEMENTS, DEPLANEMENTS, CARGO, AND OPERATIONS BY CARRIER**

*Fiscal Years Ended December 31*

	2017		2016		2015
	2017	Market Share %	2016	Market Share %	
<b>Enplanements</b>					
Alaska	225,502	12.65%	216,295	13.42%	220,189
American	102,320	5.74%	59,316	3.68%	15,933
US Airways	-	-	-	-	55,557
Delta	415,638	23.32%	386,343	23.97%	364,218
Express Jet	-	-	-	-	-
Frontier	-	-	-	-	545
Northwest	-	-	-	-	-
Southwest	422,663	23.71%	381,078	23.64%	371,425
United	188,173	10.56%	106,785	6.62%	104,631
Horizon	424,764	23.83%	458,348	28.43%	431,215
Skywest	-	-	-	-	-
Other	3,393	0.19%	3,878	0.24%	2,619
<b>Total Enplanements</b>	<b>1,782,453</b>	<b>100%</b>	<b>1,612,043</b>	<b>100%</b>	<b>1,566,332</b>
<b>Deplanements</b>					
Alaska	211,515	11.96%	206,048	12.70%	207,997
American	101,726	5.75%	59,307	3.66%	15,107
US Airways	-	-	-	-	56,487
Delta	415,809	23.51%	394,415	24.32%	359,394
Express Jet	-	-	-	-	-
Frontier	-	-	-	-	490
Northwest	-	-	-	-	-
Southwest	421,005	23.81%	380,931	23.48%	371,284
United	186,739	10.56%	106,776	6.58%	103,780
Horizon	428,948	24.26%	470,359	29.00%	449,372
Skywest	-	-	-	-	-
Other	2,717	0.15%	4,216	0.26%	3,099
<b>Total Deplanements</b>	<b>1,768,459</b>	<b>100%</b>	<b>1,622,052</b>	<b>100%</b>	<b>1,567,010</b>
<b>Total Passengers</b>	<b>3,550,912</b>		<b>3,234,095</b>		<b>3,133,342</b>
<b>Air-Freight (2,000 lbs)</b>					
Airborne	-		-		-
Airpac	-		-		-
Ameriflight	700.04		583.11		556.28
Empire	3,401.30		3,244.85		4,301.92
Fed Ex	40,585.35		39,824.39		38,045.88
UPS	24,568.80		22,230.42		24,509.98
Western Air Express	-		-		0.32
Total cargo only freight	69,255.49		65,882.76		67,414.38
Passenger carrier freight	2,843.79		1,641.78		1,803.18
<b>Total Freight</b>	<b>72,099.28</b>		<b>67,524.54</b>		<b>69,217.56</b>
<b>Operations</b>					
SIA - Landings and Takeoffs	63,801		62,439		65,032
Felts Field - Landings and Takeoffs	60,084		54,313		50,729

*Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD  
ENPLANEMENTS, DEPLANEMENTS, CARGO, AND OPERATIONS BY CARRIER**

2014	2013	2012	2011	2010	2009	2008
186,333	126,587	114,815	113,721	119,974	158,094	187,683
-	-	-	-	-	-	-
64,111	67,596	71,042	75,178	78,140	80,822	81,421
291,517	282,677	270,645	258,160	260,388	72,867	75,136
-	-	-	-	-	-	55,912
49,952	57,609	99,260	86,329	72,825	71,050	73,451
-	-	-	-	6,751	99,990	105,911
365,110	367,239	396,284	460,761	475,338	432,993	476,902
100,033	99,284	120,743	130,371	171,674	91,693	141,780
431,508	457,839	429,053	404,853	406,250	403,553	445,938
-	-	-	-	-	115,559	68,967
4,662	7,870	1,576	2,471	1,767	1,334	2,662
<b>1,493,226</b>	<b>1,466,701</b>	<b>1,503,418</b>	<b>1,531,844</b>	<b>1,593,107</b>	<b>1,527,955</b>	<b>1,715,763</b>
177,144	129,477	113,941	115,694	123,243	156,364	185,677
-	-	-	-	-	-	-
65,744	67,866	71,560	75,388	79,636	81,628	80,370
294,398	280,248	269,613	266,624	258,420	75,777	78,969
-	-	-	-	-	-	56,014
50,657	55,801	96,820	84,892	69,341	68,123	73,314
-	-	-	-	6,550	95,594	100,728
362,178	366,286	395,415	457,915	473,328	432,138	473,976
99,006	98,207	123,274	129,905	170,316	89,899	138,325
439,853	454,931	430,184	407,994	405,795	407,576	448,167
-	-	-	-	-	118,348	68,097
4,446	7,341	1,439	2,316	1,880	1,679	2,710
<b>1,493,426</b>	<b>1,460,157</b>	<b>1,502,246</b>	<b>1,540,728</b>	<b>1,588,509</b>	<b>1,527,126</b>	<b>1,706,347</b>
<b>2,986,652</b>	<b>2,926,858</b>	<b>3,005,664</b>	<b>3,072,572</b>	<b>3,181,616</b>	<b>3,055,081</b>	<b>3,422,110</b>
-	-	-	-	-	-	3,023.50
78.34	127.75	149.38	116.88	129.23	187.10	207.90
539.77	522.39	464.79	446.69	359.47	407.30	275.20
3,648.58	3,892.29	3,710.07	3,851.39	3,858.73	4,284.30	4,613.50
37,996.97	36,538.94	33,178.58	32,186.93	31,884.04	31,089.00	33,860.30
21,632.54	21,313.16	22,878.98	16,725.22	10,266.86	9,633.70	8,474.30
-	0.20	1.99	9.97	57.66	39.50	45.90
63,896.20	62,394.73	<b>60,383.79</b>	<b>53,337.08</b>	<b>46,555.99</b>	<b>45,640.90</b>	<b>50,500.60</b>
1,722.66	1,750.85	989.83	1,102.94	1,183.60	1,270.00	1,572.50
<b>65,618.86</b>	<b>64,145.58</b>	<b>61,373.62</b>	<b>54,440.02</b>	<b>47,739.59</b>	<b>46,910.90</b>	<b>52,073.10</b>
64,409	65,063	67,131	76,068	79,120	81,397	94,681
54,881	54,293	52,928	59,716	63,496	66,919	65,834



**SPOKANE AIRPORT BOARD  
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED**

Program	Application Approved Number	Amount Authorized	Collection Level	Period Beginning Cumulative Collections	Current PFC Revenues
<b>Quarter Ended March 31, 2017</b>					
Passenger Facility Charges	15-10-C-00-GEG	\$ 15,036,120	\$ 4.50	\$ 13,696,783	\$ 721,723
				<u>13,696,783</u>	<u>721,723</u>
<b>Quarter Ended June 30, 2017</b>					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120	4.50	14,436,578	1,705,080
				<u>14,436,578</u>	<u>1,705,080</u>
<b>Quarter Ended September 30, 2017</b>					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120			
Amendment 15-10-C-00-GEG	15-10-C-00-GEG	1,422,762	4.50	16,171,888	1,711,853
				<u>16,171,888</u>	<u>1,711,853</u>
<b>Quarter Ended December 31, 2017</b>					
Passenger Facility Charges	15-10-C-00-GEG	16,458,882	4.50	16,458,882	-
Passenger Facility Charges	17-11-C-00-GEG	16,298,809	4.50	1,461,378	2,584,913
				<u>17,920,260</u>	<u>2,584,913</u>
<b>Year Ended December 31, 2017</b>					
Passenger Facility Charges	15-10-C-00-GEG	\$ 16,458,882	\$ 4.50	\$ 13,696,783	\$ 4,138,656
	17-11-C-00-GEG	<u>\$ 16,298,809</u>	<u>\$ 4.50</u>	<u>\$ -</u>	<u>\$ 2,584,913</u>
				<u>\$ 13,696,783</u>	<u>\$ 6,723,569</u>

*Note: This schedule is prepared on an accrual basis  
Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD  
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED**

<u>Current Interest Earned</u>	<u>Period Ending Cumulative Collections</u>	<u>Remaining Collection Authority</u>	<u>Period Beginning Cumulative Expenditures</u>	<u>Current Expenditures</u>	<u>Period Ending Cumulative Expenditures</u>	<u>Collections vs. Expenditures</u>
\$ 18,072	\$ 14,436,578	\$ 599,542	\$ 2,035,018	\$ (78,334)	\$ 1,956,684	\$ 12,479,895
18,072	14,436,578	599,542	2,035,018	(78,334)	1,956,684	12,479,895
30,230	16,171,888	(1,135,768)	1,956,684	342,215	2,298,899	13,872,989
30,230	16,171,888	(1,135,768)	1,956,684	342,215	2,298,899	13,872,989
36,519	17,920,260	(1,461,378)	2,298,899	288,741	2,587,639	15,332,621
36,519	17,920,260	(1,461,378)	2,298,899	288,741	2,587,639	15,332,621
-	16,458,882	-	2,587,639	1,701,553	4,289,192	12,169,690
58,076	4,104,367	12,194,442	-	1,825,468	1,825,468	2,278,899
58,076	20,563,249	12,194,442	2,587,639	3,527,021	6,114,660	14,448,589
84,821	16,458,882	-	2,035,018	2,254,174	4,289,192	12,169,690
58,076	4,104,367	12,194,442	-	1,825,468	1,825,468	2,278,899
<u>\$ 142,897</u>	<u>\$ 20,563,249</u>	<u>\$ 12,194,442</u>	<u>\$ 2,035,018</u>	<u>\$ 4,079,642</u>	<u>\$ 6,114,660</u>	<u>\$ 14,448,589</u>

**SPOKANE AIRPORT BOARD  
PASSENGER FACILITY PROJECTS BY APPLICATION - LIFE TO DATE**

<u>Application #</u>	<u>Project #</u>	<u>Description</u>	<u>Authorized</u>	<u>Revenues &amp; Interest</u>	<u>Expenditures</u>
<b>93-01-C-GEG CLOSED</b>					
	01-002	Access control system			349,000
	01-004	Airfield lighting and signage			133,594
	01-006	Airside infrastructure devel- apron construction			55,850
	01-007	Felts Field safety improvements			86,200
	01-008	Loading bridge replacement			3,137,595
	01-009	Perimeter road			69,000
	01-010	Planning studies			43,355
	01-011	Regional gate expansion			1,150,200
	01-012	Runway safety improvements			784,545
	01-013	Safety equipment			296,057
	01-014	Taxiway and apron pavement improvements			966,339
	01-015	Terminal building improvements - ADA compliance			2,211,271
		<b>Totals 93-01-C-GEG</b>	<b>9,283,006</b>	<b>9,283,006</b>	<b>9,283,006</b>
<b>94-02-C-GEG CLOSED</b>					
	02-001	Access road improvements			4,451,766
	02-002	Aircraft deicing facility			462,228
		<b>Totals 94-02-C-GEG</b>	<b>4,913,994</b>	<b>4,913,994</b>	<b>4,913,994</b>
<b>97-03-C-GEG CLOSED</b>					
	03-001	Airport terminal signage			2,461,443
	03-002	Fire life safety system			54,050
	03-006	Regional terminal concourse expansion and associated apron			21,777,799
	03-007	Taxiway D and H			215,459
	03-008	Taxiway J relocation			168,166
	03-009	Terminal ticketing and baggage expansion			13,498,502
		<b>Totals 97-03-C-GEG</b>	<b>38,175,419</b>	<b>38,175,419</b>	<b>38,175,419</b>
<b>04-04-C-GEG CLOSED</b>					
	04-002	Planning studies (master plan)			64,109
	04-004	Safety equipment			22,000
	04-005	Security improvements.			129,009
	04-006	Snow removal equipment.			48,868
	04-007	Taxiway F construction.			210,584
	04-008	Taxiway G construction.			1,923,808
	04-009	Terminal capacity improvements.			1,247,522
	04-010	Terminal modifications for security improvements.			1,034,531
		<b>Totals 04-04-C-GEG</b>	<b>4,680,431</b>	<b>4,680,431</b>	<b>4,680,431</b>

**SPOKANE AIRPORT BOARD  
PASSENGER FACILITY PROJECTS BY APPLICATION - LIFE TO DATE**

<u>Application #</u>	<u>Project #</u>	<u>Description</u>	<u>Authorized</u>	<u>Revenues &amp; Interest</u>	<u>Expenditures</u>
<b>93-01-C-GEG CLOSED</b>					
	01-002	Access control system			349,000
	01-004	Airfield lighting and signage			133,594
	01-006	Airside infrastructure devel- apron construction			55,850
	01-007	Felts Field safety improvements			86,200
	01-008	Loading bridge replacement			3,137,595
	01-009	Perimeter road			69,000
	01-010	Planning studies			43,355
	01-011	Regional gate expansion			1,150,200
	01-012	Runway safety improvements			784,545
	01-013	Safety equipment			296,057
	01-014	Taxiway and apron pavement improvements			966,339
	01-015	Terminal building improvements - ADA compliance			2,211,271
		<b>Totals 93-01-C-GEG</b>	<b>9,283,006</b>	<b>9,283,006</b>	<b>9,283,006</b>
<b>94-02-C-GEG CLOSED</b>					
	02-001	Access road improvements			4,451,766
	02-002	Aircraft deicing facility			462,228
		<b>Totals 94-02-C-GEG</b>	<b>4,913,994</b>	<b>4,913,994</b>	<b>4,913,994</b>
<b>97-03-C-GEG CLOSED</b>					
	03-001	Airport terminal signage			2,461,443
	03-002	Fire life safety system			54,050
	03-006	Regional terminal concourse expansion and associated apron			21,777,799
	03-007	Taxiway D and H			215,459
	03-008	Taxiway J relocation			168,166
	03-009	Terminal ticketing and baggage expansion			13,498,502
		<b>Totals 97-03-C-GEG</b>	<b>38,175,419</b>	<b>38,175,419</b>	<b>38,175,419</b>
<b>04-04-C-GEG CLOSED</b>					
	04-002	Planning studies (master plan)			64,109
	04-004	Safety equipment			22,000
	04-005	Security improvements.			129,009
	04-006	Snow removal equipment.			48,868
	04-007	Taxiway F construction.			210,584
	04-008	Taxiway G construction.			1,923,808
	04-009	Terminal capacity improvements.			1,247,522
	04-010	Terminal modifications for security improvements.			1,034,531
		<b>Totals 04-04-C-GEG</b>	<b>4,680,431</b>	<b>4,680,431</b>	<b>4,680,431</b>

**SPOKANE AIRPORT BOARD  
PASSENGER FACILITY PROJECTS BY APPLICATION - LIFE TO DATE**

<u>Application #</u>	<u>Project #</u>	<u>Description</u>	<u>Authorized</u>	<u>Revenues &amp; Interest</u>	<u>Expenditures</u>
17-11-C-00-GEG	11-001	Airfield Pavement Weather Sensors.	1,000,000		23,683
	11-002	Continuous Friction Measurement Vehicle.	250,000		-
	11-003	Snow Removal Equipment (5 Pieces).	2,835,000		-
	11-004	Terminal Rehabilitation.	7,652,944		1,481,130
	11-005	Replacement of the Programmable Logic Controls (PLCs) o	2,571,775		244,575
	11-006	Terminal Renovation and Expansion (TREX)/30% Design C	1,890,590		2,749
	11-007	PFC Application/Administration Fee.	98,500		-
<b>Totals 10-11-C-GEG</b>			<b>16,298,809</b>	<b>1,752,136.73</b>	<b>1,752,137</b>
<b>Total Unliquidated Balance</b>				<b>13,803,194.48</b>	
			<b>152,400,263</b>	<b>139,370,493.50</b>	<b>125,567,299</b>

**SPOKANE AIRPORT BOARD**  
**RATIO OF OUTSTANDING DEBT BY TYPE**

*For Fiscal Year ended December 31*

	2017	2016	2015	2014
<b>Outstanding Debt</b>				
Revenue Bonds	\$ -	\$ 5,593,415	\$ 7,734,200	\$ 10,832,506
Junior Lien Revenue Loan	5,497,988	5,952,622	6,406,797	6,860,514
Capital Leases	-	-	-	-
PFC Revenue Bonds	-	-	-	-
Total Outstanding Debt	\$ 5,497,988	\$ 11,546,037	\$ 14,140,997	\$ 17,693,020
Enplaned passengers	1,782,453	1,612,043	1,566,332	1,493,226
Outstanding debt per enplaned passenger	\$ 3.08	\$ 7.16	\$ 9.03	\$ 11.85
Operating Revenues	\$ 36,248,352	\$ 33,095,987	\$ 30,236,523	\$ 27,836,397
Ratio of outstanding debt to operating revenue	\$ 0.15	\$ 0.35	\$ 0.47	\$ 0.64
<b>Debt Service Ratios</b>				
Debt Principal	\$ 2,594,960	\$ 2,594,960	\$ 3,552,022	\$ 3,097,411
Debt interest	182,682	300,324	391,774	491,735
Total Debt Service	\$ 2,777,642	\$ 2,895,284	\$ 3,943,796	\$ 3,589,146
Enplaned passengers	1,782,453	1,612,043	1,566,332	1,493,226
Debt Service per enplaned passenger	\$ 1.56	\$ 1.80	\$ 2.52	\$ 2.40
Total operating expenses	\$ 26,939,093	\$ 24,468,440	\$ 22,517,625	\$ 21,398,781
Ratio of outstanding debt to total expense	\$ 0.20	\$ 0.47	\$ 0.63	\$ 0.83

*Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD  
RATIO OF OUTSTANDING DEBT BY TYPE**

	2013	2012	2011	2010	2009	2008
\$	13,839,985	\$ 16,747,463	\$ 19,569,943	\$ 22,307,442	\$ 26,749,491	\$ 29,981,482
	6,950,445	7,036,680	7,122,059	6,972,108	3,250,000	1,550,000
	-	-	35,501	-	-	16,325
	-	-	-	-	-	-
\$	20,790,430	\$ 23,784,143	\$ 26,727,503	\$ 29,279,550	\$ 29,999,491	\$ 31,547,807
	1,466,701	1,503,418	1,531,844	1,593,107	1,527,955	1,715,763
\$	14.17	\$ 15.82	\$ 17.45	\$ 18.38	\$ 19.63	\$ 18.39
\$	27,469,804	\$ 27,486,021	\$ 27,972,422	\$ 27,599,583	\$ 25,732,252	\$ 26,704,651
\$	0.76	\$ 0.87	\$ 0.96	\$ 1.06	\$ 1.17	\$ 1.18
\$	2,993,712	\$ 2,943,359	\$ 2,822,014	\$ 3,373,406	\$ 3,216,325	\$ 2,501,767
	582,921	675,831	763,536	1,198,450	1,316,724	1,083,722
\$	3,576,633	\$ 3,619,190	\$ 3,585,550	\$ 4,571,856	\$ 4,533,049	\$ 3,585,489
	1,466,701	1,503,418	1,531,844	1,593,107	1,527,955	1,715,763
\$	2.44	\$ 2.41	\$ 2.34	\$ 2.87	\$ 2.97	\$ 2.09
\$	22,259,196	\$ 19,179,421	\$ 19,201,908	\$ 18,440,059	\$ 16,641,096	\$ 18,760,087
\$	0.93	\$ 1.24	\$ 1.39	\$ 1.59	\$ 1.80	\$ 1.68

**Debt Limitations**

In the State of Washington, general obligation debts are subject to statutory debt limits. Spokane Airport Board has not issued any general obligation debt in the past 10 years.

**Direct and Overlapping debt**

Spokane Airport Board issues only revenue bonds. All debt payments are made from revenues generated by the Airport activities



**SPOKANE AIRPORT BOARD  
PLEGGED REVENUE COVERAGE SIA AND FELTS FIELD**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014
<b>Operating Revenue</b>				
Airfield	\$ 5,970,732	\$ 5,352,771	\$ 4,474,681	\$ 3,967,783
Terminal	13,484,639	12,163,996	11,549,505	10,971,883
Buildings	1,494,157	1,404,304	1,420,218	1,000,159
Leased sites	1,888,635	1,795,872	1,755,566	1,679,731
Parking and ground transportation	11,777,170	10,239,333	9,413,381	8,617,186
Other	164,624	236,161	112,322	101,609
<b>Total Operating Revenues</b>	<b>34,779,957</b>	<b>31,192,437</b>	<b>28,725,673</b>	<b>26,338,351</b>
<b>Operating Expenses</b>				
Airfield:	10,673,183	9,986,991	8,281,472	8,946,017
Terminal	5,017,850	5,026,242	4,507,214	4,361,006
Leased buildings and sites	1,067,317	520,643	1,246,996	518,389
Parking and ground transportation	4,384,068	3,634,293	3,014,796	2,551,534
General and administration	5,152,059	4,535,974	4,369,941	4,359,221
<b>Total Operating Expenses</b>	<b>26,294,477</b>	<b>23,704,143</b>	<b>21,420,419</b>	<b>20,736,167</b>
<b>Net Operating Revenue</b>				
Before Depreciation	8,485,480	7,488,294	7,305,254	5,602,184
Depreciation	22,378,727	21,796,223	20,124,411	17,751,995
<b>Operating Income (Loss)</b>	<b>(13,893,247)</b>	<b>(14,307,929)</b>	<b>(12,819,157)</b>	<b>(12,149,811)</b>
<b>Net Operating Revenue</b>				
Before Depreciation	8,485,480	7,488,294	7,305,254	5,602,184
<b>Non-Operating Revenues (Expense)</b>	<b>3,687,545</b>	<b>3,495,937</b>	<b>3,278,878</b>	<b>2,858,229</b>
<b>Revenue Available for Debt Service</b>	<b>\$ 12,173,025</b>	<b>\$ 10,984,231</b>	<b>\$ 10,584,132</b>	<b>\$ 8,460,413</b>
<b>Debt Service 1995 Bonds</b>	-	-	-	-
<b>Debt Service 2000 Bonds</b>	-	-	-	-
<b>Debt Service 2001 Bonds</b>	-	-	-	-
<b>Debt Service 2008 Bonds</b>	**	2,226,138	2,221,538	2,224,138
<b>Debt Service 2010 Bonds</b>	-	-	1,055,750	1,058,475
<b>Total Debt Service</b>	<b>-</b>	<b>2,226,138</b>	<b>3,277,288</b>	<b>3,282,613</b>
<b>Coverage</b>	<b>**</b>	<b>4.93</b>	<b>3.23</b>	<b>2.58</b>
<b>Required coverage</b>	<b>**</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>

*\*\* Bonds were defeased in 2017*

*Note: Non-Operating Revenues (Expenses) excludes PFC revenue*

*Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD  
PLEGGED REVENUE COVERAGE SIA AND FELTS FIELD**

2013	2012	2011	2010	2009	2008
\$ 4,330,579	\$ 4,715,829	\$ 4,868,650	\$ 4,815,980	\$ 4,074,866	\$ 4,295,377
10,484,004	10,452,201	10,519,971	10,522,276	9,712,524	9,559,778
936,285	965,684	946,806	689,864	638,983	633,431
1,615,202	1,345,005	1,504,827	1,408,403	1,287,824	1,311,942
8,380,053	8,317,095	8,410,865	8,523,998	8,309,996	9,368,490
137,049	88,954	153,996	103,701	172,154	130,751
25,883,172	25,884,768	26,405,115	26,064,222	24,196,347	25,299,769
8,952,352	8,041,863	8,433,286	7,366,021	6,810,845	6,165,270
4,343,695	3,962,181	4,060,616	3,624,260	3,863,038	3,926,647
402,022	681,782	342,703	436,264	220,847	568,667
2,820,033	2,153,263	1,932,412	1,529,511	1,338,322	1,081,292
4,523,414	3,724,465	3,789,207	4,888,737	3,806,095	6,031,360
21,041,516	18,563,554	18,558,224	17,844,793	16,039,147	17,773,236
4,841,656	7,321,214	7,846,891	8,219,429	8,157,200	7,526,533
16,357,968	14,534,642	12,837,531	11,100,276	8,686,291	8,549,106
(11,516,312)	(7,213,428)	(4,990,640)	(2,880,847)	(529,091)	(1,022,573)
4,841,656	7,321,214	7,846,891	8,219,429	8,157,200	7,526,533
2,851,164	2,164,035	954,401	1,422,258	1,702,447	3,308,984
\$ 7,692,820	\$ 9,485,249	\$ 8,801,292	\$ 9,641,687	\$ 9,859,647	\$ 10,835,517
-	-	-	-	-	-
-	-	-	1,425,625	1,425,625	1,422,175
-	-	-	639,280	636,540	642,300
2,220,387	2,222,788	2,221,694	2,217,719	2,222,281	1,313,385
1,048,075	1,052,375	1,055,794	-	-	-
3,268,462	3,275,163	3,277,488	4,282,624	4,284,446	3,377,860
2.35	2.90	2.69	2.25	2.30	3.21
1.30	1.30	1.30	1.30	1.30	1.30

**SPOKANE AIRPORT BOARD  
PLEGGED REVENUE COVERAGE AIRPORT BUSINESS PARK**

*Fiscal Year Ended December 31*

	2017	2016	2015	2014
<b>Operating Revenue</b>				
Administrative building rent	\$ -	\$ -	\$ -	\$ -
Buildings	1,219,369	1,533,543	1,258,204	1,242,930
Leased Sites	240,177	240,162	242,389	237,144
Other	8,849	129,845	10,257	17,972
<b>Total Operating Revenues</b>	<b>1,468,395</b>	<b>1,903,550</b>	<b>1,510,850</b>	<b>1,498,046</b>
<b>Operating Expenses</b>				
General	-	-	-	-
Administrative building	-	-	-	-
Leased buildings and sites	449,715	595,892	828,682	424,278
Operations	194,901	168,405	268,524	238,336
<b>Total Operating Expenses</b>	<b>644,616</b>	<b>764,297</b>	<b>1,097,206</b>	<b>662,614</b>
<b>Net Operating Revenue</b>				
Before Depreciation	823,779	1,139,253	413,644	835,432
Depreciation	464,478	470,754	430,080	424,463
<b>Operating Income (Loss)</b>	<b>359,301</b>	<b>668,499</b>	<b>(16,436)</b>	<b>410,969</b>
<b>Net Operating Revenue</b>				
Before Depreciation	823,779	1,139,253	413,644	835,432
Non-Operating Revenues (Expense)	(68,467)	(74,778)	(69,064)	(82,261)
<b>Revenue Available for Debt Service</b>	<b>\$ 755,312</b>	<b>\$ 1,064,475</b>	<b>\$ 344,580</b>	<b>\$ 753,171</b>
Debt Service 2005 Bonds	**	217,434	219,397	220,541
Coverage	**	4.90	1.57	3.42
Required coverage	**	1.25	1.25	1.25

*\*\* Bonds were redeemed in 2017*

*Source: Spokane Airport Finance Dept.*

**SPOKANE AIRPORT BOARD  
 PLEDGED REVENUE COVERAGE AIRPORT BUSINESS PARK**

2013	2012	2011	2010	2009	2008
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,337,232	1,358,385	1,372,183	1,327,862	1,248,585	1,158,052
233,593	232,757	195,124	190,189	277,818	245,255
15,807	10,111	-	17,310	9,502	1,575
1,586,632	1,601,253	1,567,307	1,535,361	1,535,905	1,404,882
-	-	102,799	124,814	136,796	343,742
-	-	48	-	59,958	78,532
966,712	346,368	269,286	206,135	171,383	297,367
250,968	269,499	271,551	264,317	233,812	267,211
1,217,680	615,867	643,684	595,266	601,949	986,852
368,952	985,386	923,623	940,095	933,956	418,030
421,069	452,050	486,735	363,105	545,935	434,388
(52,117)	533,336	436,888	576,990	388,021	(16,358)
368,952	985,386	923,622	940,095	933,956	418,030
(87,355)	8,831	(17,362)	(119,875)	(132,093)	(135,612)
\$ 281,597	\$ 994,217	\$ 906,260	\$ 820,220	\$ 801,863	\$ 282,418
221,429	222,060	222,437	221,826	220,997	219,516
1.27	4.48	4.07	3.70	3.63	1.29
1.25	1.25	1.25	1.25	1.25	1.25

**SPOKANE AIRPORT BOARD  
PRINCIPAL EMPLOYERS**

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
92nd Air Refueling Wing, Fairchild Air Force Base	5,935	1	2.70%	4,925	1	2.19%
Providence Health Care	5,688	2	2.59%	3,485	2	1.55%
State of Washington	5,360	3	2.44%	2,691	5	1.20%
Spokane Public Schools	3,509	4	1.60%	3,288	4	1.46%
City of Spokane	2,087	5	0.95%	2,047	7	0.91%
Spokane County	2,087	5	0.95%	2,153	6	0.96%
Kalispel Tribal Economic Authority/Northern Quest	1,792	6	0.82%	1,032	15	0.46%
Central Valley School District	1,509	7	0.69%	1,238	13	0.55%
URM Stores Inc.	1,467	8	0.67%	1,469	8	0.65%
Wal-Mart Stores	1,417	9	0.65%	-	16	0.00%
Eastern Washington University	1,381	10	0.63%	1,350	10	0.60%
Community Colleges of Spokane	1,320	11	0.60%	1,346	11	0.60%
Gonzaga University	1,289	12	0.59%	1,185	14	0.53%
US Government	-	-		3,419	3	1.52%
Avista	1,152	16		1,419	9	0.63%
West Corp	-	-		1,302	12	0.58%
	<u>30,851</u>		<u>14.05%</u>	<u>22,471</u>		<u>9.99%</u>

Source: Journal of Business January 4, 2018 book of lists

Source: Journal of Business January 1, 2009 book of lists

**SPOKANE AIRPORT BOARD  
POPULATION, PERSONAL INCOME, PER CAPITA, AND UNEMPLOYMENT**

<b>Spokane County, Washington</b>				
Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Annual Average Unemployment Rate
2007	454,034	15,329,615	33,607	4.80%
2008	460,303	16,094,042	35,844	5.60%
2009	466,426	16,215,776	34,452	9.20%
2010	471,221	16,576,784	34,590	9.90%
2011	472,650	17,027,064	36,752	9.40%
2012	475,600	17,918,986	38,085	8.75%
2013	480,000	18,558,543	38,712	7.90%
2014	484,500	18,920,973	39,067	6.70%
2015	490,945	19,795,682	40,322	7.20%
2016	492,530	20,974,801	42,028	6.30%
2017	499,800	na	na	5.50%

Sources: Washington State Office of Financial Management

*Personal Income data provided by BEA*

*n/a - data is not available*

**Legend / Footnotes:**

*1 Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of March 2017.*

*2 Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of March 2017.*

*Note-- All dollar estimates are in current dollars (not adjusted for inflation).*

*Last updated: November 16, 2017-- new estimates for 2016; revised estimates for 2010-2015.*

# Connecting you to Family



Report on Internal Controls

## **Report of Independent Auditors 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***

The Board of Directors  
Spokane Airport Board

We have audited, in accordance with the 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 Spokane Airports Board (Airport), which comprise the statement of net position as of and for the year ended December 31, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Airport'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport'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 entity'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 Airport's financial statements are free from material misstatement, we performed tests of its 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

Spokane, Washington  
June 14, 2018

# Connecting you to the World





