



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

City of Spokane

Spokane County

For the period January 1, 2014 through December 31, 2014

Published December 28, 2015

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Washington State Auditor's Office

December 28, 2015

Mayor and City Council
City of Spokane
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

**City of Spokane
Spokane County
January 1, 2014 through December 31, 2014**

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

Financial Statements

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

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.218	CDBG - Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.267	Continuum of Care Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$825,388.

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

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Spokane Spokane County January 1, 2014 through December 31, 2014

2014-001 The City did not have adequate internal controls in place to ensure accurate reporting of its financial statements or the Schedule of Expenditures of Federal Awards.

Background

It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure financial events are properly identified and presented completely. Controls should also ensure the criteria and accounting methodology applied to financial events is accurate. Our audit identified deficiencies in internal controls that adversely affected the City's ability to produce reliable financial statements and required schedules.

All local governments in Washington that spend federal funds are required to prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. U.S. Office of Management and Budget (OMB) Circular A-133 requires grantees to identify, in its accounts, all federal program awards received and expended and to report all federal awards expended on the SEFA each fiscal year.

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a material weakness:

- The City did not dedicate the necessary time and resources to accurately present financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) requirements.
- Although the City has procedures to perform a review of the financial statements for accuracy, the review was not adequate to detect and correct errors prior to audit.
- The City did not have a clear understanding of the SEFA reporting requirements for its Capitalization Grants for Clean Water State Revolving

Funds loans and did not follow guidance provided in the *Budget, Accounting and Reporting Standards* (BARS) manual or OMB Circular A-133.

Cause of Condition

City employees responsible for recording accounting transactions, including complex and unusual transactions, did not adequately research and consider the accounting and financial reporting guidance or GASB Standards to ensure accurate and complete financial statements.

Further, the City did not assign the financial statement review to staff with appropriate knowledge of such transactions.

The City's established controls were to report Capitalization Grants for Clean Water State Revolving Fund loans on the SEFA when revenues were received, instead of when the related federal expenditures were incurred as required.

Effect of Condition

Our audit identified the following errors in the financial statements and schedules provided for audit:

- The City administers three single-employer and one multi-employer cost-sharing pension plans. While evaluating the applicability of GASB Statement No. 67 *Financial Reporting for Pension Plans* we determined provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, still applied and the City had not reported its net pension obligation of more than \$25 million as required. The City corrected this error but reported the entire obligation in the Statement of Net Position for Governmental Activities as it decided to defer allocation of the liability to the Business-Type Activities and Proprietary Funds until it implements GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* in 2015.
- Components of Net Position in the Water/Sewer Fund were calculated incorrectly, overstating Unrestricted Net Position and understating Net Investment in Capital Assets by more than \$19 million in the fund statements and Government-wide Statements of Net Position.
- Governments should record liabilities when an obligation is legally enforceable pursuant to a contract. In 2012 and 2013, the City entered into purchase and sale agreements with developers for capital improvements in tax increment areas. Until the error was identified by our audit, the City did

not record the related assets or debt of more than \$594,000 and \$818,000, respectively on the Government-wide Statement of Net Position.

- More than \$10 million of 2014 expenditures in the Capitalization Grants for Clean Water State Revolving Funds program (CFDA 66.458) were not reported on the SEFA.

City management took steps to correct these errors in the financial statements except as noted above.

Recommendation

We recommend City management strengthen internal controls over financial statement and SEFA reporting by ensuring:

- Accounting staff who prepare financial statements receive necessary training to ensure that financial reporting is accurate and complete under GAAP and GASB requirements.
- Employees responsible for the preparation of the SEFA review and understand reporting requirements outlined in the *Budget, Accounting and Reporting System* (BARS) manual and OMB Circular A-133.
- An effective independent review of the financial statements and SEFA is performed to ensure financial reporting is accurate and complete under all reporting requirements.

City's Response

The City is committed to 100 percent accuracy in the preparation of its financial statements and, although the errors noted in this finding were generally classification errors, we will work immediately and diligently to address this situation as follows:

- *Purchase and implement an information technology tool that helps mitigate errors in the preparation of the financial statements.*
- *The city has hired new staff in two key positions and will add additional staff during year end, which will provide the necessary resources to improve the preparation and review of our financial statements.*
- *Ensure that key staff responsible for the preparation of the financial statements receive additional training.*

Discussion of each item noted in the finding follows, including proposed corrective actions with respect to the error in the SEFA:

Net Pension Obligation

GASB Statement 27 became effective in 1998, and we appreciate SAO bringing this to our attention this year. The City is prepared to fully and accurately implement GASB Statement 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27, for the 2015 audit.

Water/Sewer Fund Net Position

The net impact to the city's government wide financial statements and the proprietary funds financial statements was zero.

Tax Increment Purchase and Sale Agreement

This was disclosed in the footnotes rather than being displayed on the face of the financial statements. The net impact to the city's government wide financial statements was zero.

SEFA

The City acknowledges the error in the SEFA and will implement the following corrective action plan to address the auditor's concerns:

- *Enhanced communication with and oversight by the City's Grants Management and Financial Assistance Department.*
- *The City hired a Grants and Contracts Financial Assistance Manager position who will oversee the preparation of the SEFA.*
- *Additional OMB Circular A-133 training will be sought for accounting staff that are directly related to grant accounting.*

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

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

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

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

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budget Accounting and Reporting System (BARS) Manual; Accounting; Accounting Principles and Internal Control; Internal Control states in part:

Purpose and Definition of Internal Controls

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards

adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section.

Controls over Financial Reporting

This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting . . .

Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules . . .

Controls over Financial Reporting:

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor's Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
 - Only valid transactions are recorded and reported.
 - All transactions occurred during the period are recorded and reported.
 - Transactions are recorded and reported at properly valued and calculated amounts.
 - Recorded and reported transactions accurately reflect legal rights and obligations.
 - Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

3.1.3.160 Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

GASB Comprehensive Implementation Guide states in part:

7.23.2. Q – A government issues bonds late in the year to purchase capital assets. The proceeds are received but no capital assets have been purchased as of the balance sheet date. Which component of net position should include the debt? (Q&A34-89)

A – If there are significant unspent related proceeds at year-end the portion of the debt attributable to the unspent proceeds should not be included in the calculation of the net investment in capital assets component of net position. Rather, that portion of the debt should be included in the same net position component as the unspent proceeds – for example, restricted for capital projects . . .

7.23.3. Q – Which component(s) of net position do prepaid bond insurance costs, premiums and discounts, and deferred outflows of resources or deferred inflows of resources from refundings affect – net investment in capital assets, restricted, or unrestricted? (Q&A34B-19)

A – Premiums, discounts, and deferred outflows of resources or deferred inflows of resources from refundings “follow the debt” in calculating components of net position. That is, if debt is capital related, those amounts would be included in the calculation of the net investment in capital assets component of net position. If the debt is restricted for a specific purpose and the proceeds are unspent, the net proceeds would affect the restricted component of net position

GASB Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers* states in part:

SUMMARY

This Statement establishes standards for the measurement, recognition, and display of *pension expenditures/expense* and related liabilities, assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

Employers that participate in *single-employer and agent multiple-employer defined benefit pension plans* (sole and agent employers) are required to *measure* and *disclose* an amount for annual pension cost on the accrual basis of accounting, regardless of the amount *recognized* as pension expenditures/expense on the modified accrual or accrual basis.

EFFECTIVE DATE AND TRANSITION

29. The requirements of this Statement are effective for periods beginning after June 15, 1997. Early implementation is encouraged.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Subpart B, Section 205, states in part:

(a) Determining Federal awards expended. The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

Subpart C, Section 300, states in part:

The auditee shall . . .

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §.310

Subpart C, Section 310, states in part:

- (b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements . . .

List individual Federal programs by Federal agency . . .

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available

The OMB Circular A-133 Compliance Supplement 2014. *Environmental Protection Agency CFDA 66.458 Capitalization Grants For clean Water State Revolving Funds IV. Other Information* states in part:

Subrecipients

CWSRF amounts are awarded by EPA to States as grants.
The States then makes subawards in the form of loans to its

subrecipients. Therefore, in determining the amount of Federal funds expended to be reported on the Schedule of Expenditures of Federal Awards (SEFA), subrecipients receiving CWSRF loans should include project expenditures incurred under these loans during the audit period as provided in OMB Circular A-133 §__205(a). These are subawards—not direct Federal loans—and, therefore, neither OMB Circular A-133 §__.205(b) nor §__.205(d) applies when calculating the amount of Federal funds expended.

If a subrecipient incurs expenditures under an approved CWSRF loan in one audit period for which it is not reimbursed by the State until a subsequent audit period, those expenditures should be reported on the subrecipient's SEFA in the year in which the outlay was made, regardless of when the subrecipient received reimbursement.

It also is important to appropriately identify these CWSRF loans as subawards because of the impact on which Federal agency is the cognizant or oversight agency. When completing the SFSAC, the subrecipient should indicate that a CWSRF loan received from the State is not a direct award by showing an "N" in Part III, Item 6(h).

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

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

Audit Period: 1/1/2013-12/31/2013	Report Ref. No.: 1012701	Finding Ref. No.: 1	CFDA Number(s): 14.218
Federal Program Name and Granting Agency: Community Development Block Grant, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to comply with federal grant requirements for its Community Development Block Grants.			
Background: <p>During 2013, the City spent \$4,274,440 in federal Community Development Block Grant funds. The City used this funding to provide housing and to expand economic opportunities for persons of low and moderate income. The City's Community Housing and Human Services department administers the block grant program.</p> <p>The Department initially established controls to post program income only at the time that a draw was necessary as a less labor-intensive method than requiring employees to post into IDIS daily. We found the Department's process to evaluate cash on hand and if it related to rehabilitation or non-rehabilitation activities was complicated and could not be completed by year end.</p> <p>The Department did not use the tool developed to calculate interest earnings that should be remitted to HUD. While some interest earnings were submitted to HUD throughout the year, the City's controls were not adequate to ensure interest earnings retained by the City did not exceed the \$100 per year limit.</p> <p>Subrecipient monitoring files could not be located or were not retained. Additionally, the responsibility for ensuring that all audit reports are obtained and reviewed was given to a new staff member who was not trained to review reports for compliance with single audit requirements.</p>			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>During the fourth quarter of 2014, the City formed an integrated grants management team under the umbrella of the Grants Management Department to perform a comprehensive root</i>			

cause/corrective analysis to resolve prior audit findings. All corrective actions recommended were fully implemented during the fourth quarter and are detailed below:

Program income is now posted into the HUD IDIS system every 3-4 days by the Accounting staff and this is verified by the Accounting Manager.

The Accounting and Grants Management Departments developed a CHHS Department Fund flowchart to reflect the sources of funding, available uses and interest requirements which serves as the basis for new procedures. Interest remittances are prepared on a quarterly basis by Accounting with appropriate workpapers and submitted to the Grants Management Department for review and approval. Timeliness of remittances is monitored by Grants Management.

Subrecipient monitoring files are now located and maintained in the City's designated grants management system according to the City's Grants Management Guide. This includes subrecipient Single Audit Reports. These reports are reviewed and followed up by trained staff in Grants Management as per the City's Grants Management Guide.

Audit Period: 1/1/2013-12/31/2013	Report Reference No.: 1012701	Finding Reference No.: 2	CFDA Number(s): 14.235
Federal Program Name and Granting Agency: Supportive Housing Program, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to ensure compliance with the federal grant requirements for its Supportive Housing Program.			
Background: During 2013 the City spent \$1,325,113 in Supportive Housing Program funds. The City used this funding to promote the development of housing and support services that assist homeless persons in the transition from homelessness to independent living. Community Housing and Human Services Department employees administer and monitor this Program. The Department was aware of the HMIS matching requirements defined in the Notice of Funding Availability, but did not reassign responsibility to tracking actual expenditures when the accountant performing this task left the Department. The Department’s established controls only ensured a report was prepared and submitted within the 90 day deadline. These controls did not ensure reported amounts were supported by the underlying grant records as evidenced by HUD’s repeated requests for resubmissions after its review.			

The Department's established controls required only limited subrecipient monitoring or follow-up if concerns were noted. Additionally, the responsibility for ensuring that all audit reports were obtained and reviewed was given to a new staff member who was not trained to review reports for compliance with single audit requirements.

Status of Corrective Action: (check one)

☒ Fully
Corrected

☐ Partially
Corrected

☐ No Corrective
Action Taken

☐ Finding is considered no
longer valid

Corrective Action Taken:

During the fourth quarter of 2014, the City formed an integrated grants management team under the umbrella of the Grants Management Department to perform a comprehensive root cause/corrective analysis to resolve prior audit findings. All corrective actions recommended were fully implemented during the fourth quarter and are detailed below:

The City has identified all programs with matching requirements and implemented new procedures to ensure proper tracking and backup for City match expenditures as well as any match provided by subrecipients. City staff expenditures are recorded based on time and effort documentation. The Supportive Housing Program was eliminated by HUD at the end of the 2012 program year and replaced with the Continuum of Care Program. 2013 Continuum of Care contracts passed through matching requirements to the subrecipient agencies and specific match amounts to be provided. Contract provisions and billing forms were also revised to include match amounts and require the submission of supporting documentation with invoices to the City. Accounting includes match in program reports, including APR's and provides supporting documentation which is reviewed and verified by Grants Management prior to submission to HUD.

A subrecipient monitoring schedule has been developed which ensures that all Supportive Housing Program/Continuum of Care Grants are monitored annually. Monitoring includes overall programmatic review by CHHS staff, HMIS monitoring by HMIS staff and administrative/financial system monitoring performed by Grants Management. All monitoring reports are uploaded into the City's designated grants management system.

In October 2014, a comprehensive list of CHHS subrecipient agencies was developed. This report also contained agency fiscal year ends and A-133 audit requirements. In November 2014, Grants Management verified submission of audit reports into the Federal Audit Clearinghouse, reviewed all audit reports received and sent letters requesting audit reports not on file. All reports were reviewed and a review letter was issued to the agency. Procedures have been established to ensure an appropriate determination of audit requirements is made, receipt timelines are monitored and reports are reviewed by trained staff in Grants Management.

Audit Period: 1/1/2013-12/31/2013	Report Ref. No.: 1012701	Finding Ref. No.: 3	CFDA Number(s): 14.239
Federal Program Name and Granting Agency: Home Investment Partnership Program, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to comply with federal grant requirements for its Home Investment Partnership Program Grant.			
Background: During 2013, the City spent \$1,949,761 in federal Home Investment Partnership Program funds. The City used this funding to expand the supply of affordable housing for persons with low or very low income. The Community Housing and Human Services Department administers the grant program. The Department initially established controls to post program income only at the time that a draw was necessary as a less labor-intensive method than requiring employees to post into IDIS daily. Department employees have improved controls to a timelier recording of program income into the IDIS system, but still work under the assumption that not all program income received has to be expended before a cash draw is made which has not been approved by the grantor. Department personnel did not properly use the tool developed to calculate the interest earnings over \$100 that should be remitted to HUD. The City received a letter from the grantor expressing its concerns with the City's compliance with this requirement.			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>A Root Cause/Corrective Action analysis was performed by the City's Grants Management Director and an integrated grants management team during the fourth quarter of 2014. Procedures were changed as a result of that analysis and improved internal controls put in place during that quarter. Accounting staff is now posting program income into the HUD IDIS system every 3-4 days. This is verified by the Accounting Manager and staff in the Grants Management Department. Program income is then verified and substantially used prior to the Accounting Department preparing an entitlement drawdown request. Documentation of the program income is contained in the backup documentation to the drawdown request when provided to the staff in Grants Management for review and approval of the drawdown. Grants Management staff verify that the drawdown amount uses substantially all program income first as identified in the backup documentation when approving the drawdown requests. In addition, all drawdown requests shall receive final approval from Grants Management prior</i>			

to submission as all CHHS grants are identified as high risk according to the City's Grants Management Guide assessment of risk.

Audit Period: 1/1/2013-12/31/2013	Report Ref. No.: 1012701	Finding Ref. No.: 4	CFDA Number(s): 14.267
Federal Program Name and Granting Agency: Continuum of Care Program, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to ensure compliance with federal grant requirements for its Continuum of Care Program.			
Background: <p>During 2013 the City spent \$1,151,308 in Continuum of Care Program funds. The City used this funding to assist people experiencing homelessness. The City's Community Housing and Human Services Department employees administer and monitor this program.</p> <p>Controls were not established to ensure the accuracy of subaward information included in the written agreements.</p> <p>The Department employee assigned the responsibility of reporting under the Federal Funding Accountability and Transparency Act did not understand how to properly access information or use the FSRS system and did not seek clarification or guidance from Department supervisors or HUD.</p>			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <p><i>The City's Grants Management Department developed and implemented new subrecipient contract templates in April 2014 which contain all required pass-through grant information. Beginning in October 2014, subrecipient contracts are prepared by trained staff in Grants Management and reviewed and approved by a supervisor in Grants Management and the assigned Program Manager in CHHS to ensure that the correct and appropriate information is included.</i></p> <p><i>Grants Management reviewed the subrecipient contract list for 2014 and assumed reporting responsibility for all subcontracts issued beginning in September 2014. Reporting has been integrated into the contracting process for efficiency and efficacy. In December 2014, Grants Management completed an audit of all FFATA reports submitted in 2014 to identify any missing or incorrect reports. All missing or incorrect reports were submitted as required by December 31, 2014.</i></p>			

Audit Period: 1/1/2013-12/31/2013	Report Ref. No.: 1012701	Finding Ref. No.: 5	CFDA Number(s): 14.905
Federal Program Name and Granting Agency: Lead Hazard reduction Demonstration Grant, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to ensure compliance with federal grant requirements for its Lead Hazard Reduction Grant.			
Background: <p>During 2013, the City spent \$598,606 in federal Lead Hazard Reduction Demonstration Grant funds. The City used this funding to evaluate and control lead-based hazards in low-income residential housing. The City's Community Housing and Human Services Department employees administer and monitor the program.</p> <p>Prior to 2013, the City Planner would spot check applications and eligibility documentation and regularly communicated with the property management company by email and telephone. In 2013 eligibility determinations made by the program manager were not reviewed by Department staff as required in a vendor relationship.</p> <p>Department staff did not have an appropriate understanding of the allowable matching cost sources and used cost savings from using a less expensive service provider and estimated and unallowable costs that could not be supported as matching costs.</p>			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <p><i>An updated match spreadsheet for the Lead Grant was developed by the Grants Management Department and provided to CHHS program staff. It identifies the categories and allowable sources of match and life-to-date match financial information. CHHS program staff prepares a listing of in-kind match, along with supporting documentation quarterly. Accounting staff prepares a listing of cash match, along with supporting documentation from the City's financial system quarterly. This is compiled into a match report and the report and all supporting documentation is reviewed and verified by Grants Management prior to submission to HUD.</i></p> <p><i>Ultimately, the Lead Grant was closed out effective December 31, 2014. The final financial report was submitted to HUD and approved.</i></p>			

Audit Period: 1/1/2013-12/31/2013	Report Ref. No.: 1012701	Finding Ref. No.: 6	CFDA Number(s): 97.044
Federal Program Name and Granting Agency: Assistance of Firefighters Grant, U.S. Department of Homeland Security		Pass-Through Agency Name: NA	
Finding Caption: The City did not have adequate internal controls to comply with federal grant requirements for its Assistance to Firefighters Grant.			
Background: <p>During 2013, the City spent \$235,820 in federal Assistance to Firefighters Grant funds. The City used this funding to protect the health and safety of the public and firefighting personnel against fire and fire-related hazards. The City's Fire Department administers this grant.</p> <p>The Fire Department felt that since the current lock boxes used were obsolete and no longer supported by the vendor and the majority of business owners in the City limits used the lockbox system provided by the named vendor, a sole source exception was justified. However, restricting completion by specifying a brand name violates federal requirements.</p> <p>The Department was aware of the requirement but use of the purchase order process did not ensure established controls were followed prior to making the awards.</p>			
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Grants Management provided training and technical assistance to Fire Department staff managing Federal grants and continues to remain in an advisory/oversight role as determined by the City's assessment of risk as specified in the Grants Management Guide. In addition, the City's Grants Management Guide implemented a new internal control for sole sourcing under grants under which the Grants Management Department must approve any sole source purchases made under grants prior to purchase.</i>			

STATUS OF PRIOR AUDIT FINDINGS

City of Spokane Spokane County January 1, 2014 through December 31, 2014

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

Audit Period: January 1, 2013 through December 31, 2013	Report Ref. No.: 1012701	Finding Ref. No.: 7
Finding Caption: The City's internal controls over financial statement preparation are inadequate to ensure accurate reporting.		
Background: City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. The monitoring and review controls used to determine the accuracy of the account code conversions and spreadsheet formulas used to generate financial reports were not effective. We found numerous errors in the proper classification of assets, liabilities and expenditures in the City's financial statements initially presented for audit. The monitoring and reporting process for construction-in-progress developed by each individual fund accountant was not effective. We found completed construction of capital assets that had been placed in service in at least nine years before the assets were appropriately reported in the accounting records and financial statements.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"><input type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input checked="" type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input type="checkbox"/> No Corrective Action Taken</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>		
Corrective Action Taken: <i>The City implemented additional internal controls during 2014 to provide greater assurance regarding the reliability of its financial reporting. These include the creation of additional check figures in its electronic spreadsheets and establishment of reviewer checklists. The City performed an extensive review of its general ledger codes to ensure the accuracy of the account code conversions.</i> <i>In addition to a more rigorous review of its construction in progress (CIP) balances by the fund accountants to help ensure that capital assets are appropriately reported, the City improved its entire capital asset reporting process to ensure that all current activity is properly reflected by category (additions, deletions, transfers) and by asset type (buildings, equipment/vehicles, infrastructure, CIP, etc.).</i>		

The City also made progress in modifying processes to facilitate better internal controls over review of the financial reporting. Adjustments to year-end deadlines for fund accountants were made to allow for additional review time. Improvements were also made in establishing separation of duties for preparer/reviewer functions of the process.

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

**City of Spokane
Spokane County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Spokane
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, Spokane County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2015. As discussed in Note 1 to the financial statements, during the year ended December 31, 2014, the City implemented Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2014-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 9, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Spokane
Spokane County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Spokane
Spokane, Washington

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

We have audited the compliance of the City of Spokane, Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that

could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 9, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Spokane Spokane County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Spokane
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, Spokane County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 36.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 38 through 50, budgetary comparison information on page 120, pension trust fund information on pages 121 through 123 and information on postemployment benefits other than pensions on pages 124 through 126 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 9, 2015

FINANCIAL SECTION

**City of Spokane
Spokane County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental
Funds - 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds –
2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
General Fund Accounts – 2014

Schedule of Funding Progress – Employees' Retirement System, Firefighters' Pension
System and Police Pension System – 2014

Schedule of Employer Contributions – Employee's Retirement System, Firefighters'
Pension System and Police Pension System – 2014

Other Postemployment Benefits – Firefighters' Pension System and Police Pension
System – 2014

Notes to the Required Supplementary Information – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

Schedule for General Fund Accounts – Balance Sheet – 2014

Schedule for General Fund Accounts – Statement of Revenues, Expenditures and
Changes in Fund Balance – 2014

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
each fund included in the General Fund accounts – 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Spokane, Washington (the City)'s annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2014. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$2,266.8 million (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$2,028.4 million includes property, equipment and infrastructure, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$73.8 million is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$164.6 million represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported a total ending fund balance of \$135.0 million this year, a decrease of \$7.8 million from the prior year. Revenues increased by \$12.0 million as follows:

Property taxes	\$2.8 million
Sales taxes	\$2.6 million
Utility taxes	\$1.1 million
Other taxes	\$.5 million
Real estate excise taxes	\$.7 million
Investment income	\$3.5 million
Fines & Forfeitures	\$.6 million
Licenses & permits	\$.2 million

Increased expenses of \$8 million, of which \$5 million is primarily attributable to salaries and wages for Police and Fire, offset the increased revenues.

- At the end of the current fiscal year, fund balance for the General Fund totaled \$37.7 million, excluding the nonspendable and restricted categories, which is 25% of General Fund expenditures excluding transfers.
- Overall, the City maintained its strong financial position in 2014, and is continuing to maintain a stable financial outlook, despite ongoing budgetary pressures related to the slow economic recovery.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

Budgetary comparison statements are included as "basic financial statements" for the major governmental funds. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements demonstrate compliance with the City's adopted and final revised budget.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

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

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

Notes To The Basic Financial Statements

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

Financial Analysis of the City as a Whole

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

The City's net position at fiscal year-end is \$2,266.8 million as shown below.

	Governmental Activities		Business-Type Activities		Total	
Summary of Net Position (in thousands)	2014	2013	2014	2013	2014	2013
ASSETS						
Current and other assets	\$ 197,447	\$ 200,370	\$ 372,007	\$ 163,486	\$ 569,454	\$ 363,856
Restricted assets	-	-	17,103	10,505	17,103	10,505
Capital assets	1,541,479	1,549,173	632,426	612,316	2,173,905	2,161,489
Total assets	1,738,926	1,749,543	1,021,536	786,307	2,760,462	2,535,850
LIABILITIES						
Current liabilities	45,402	47,440	24,945	18,048	70,347	65,488
Long-term liabilities	191,253	174,885	232,018	26,911	423,271	201,795
Total liabilities	236,655	222,325	256,963	44,959	493,618	267,284
NET POSITION						
Net investment in capital assets	1,416,828	1,433,814	611,627	601,683	2,028,455	2,035,497
Restricted	73,800	73,990	-	-	73,800	73,990
Unrestricted	11,643	19,413	152,948	139,665	164,591	159,079
Total net position	\$ 1,502,271	\$ 1,527,218	\$ 764,575	\$ 741,348	\$ 2,266,846	\$ 2,268,567

The City continues to maintain a healthy current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 4.3 and 14.9 for business type activities. For the City overall, the current ratio is 8.1. We consider these ratios to be very strong.

Governmental Activities

Net position decreased by \$24.9 million for governmental activities due to the prior period adjustment of the net pension obligation of \$25.6 million.

The decrease of \$16.9 million in net investment in capital assets is primarily attributable to the \$14.7 million decrease in outstanding debt due to principal payments during 2014.

Business-Type Activities

The \$23.2 million increase in business activities' net position is primarily attributable to the net income of the City's water/sewer fund of \$26 million less the prior period adjustment of \$3.6 million.

It should be noted that 94% of the governmental activities' net position is related to the net investment in capital assets (with 67% of the net investment in capital assets being infrastructure). The City uses these capital assets to provide services to its citizens. With business-type activities, the City has committed 84% of its net position on capital. Capital assets in the business-type activities provide utility services, but they also generate revenues for these funds. The net investment in capital assets makes up 81% of the City's total net position.

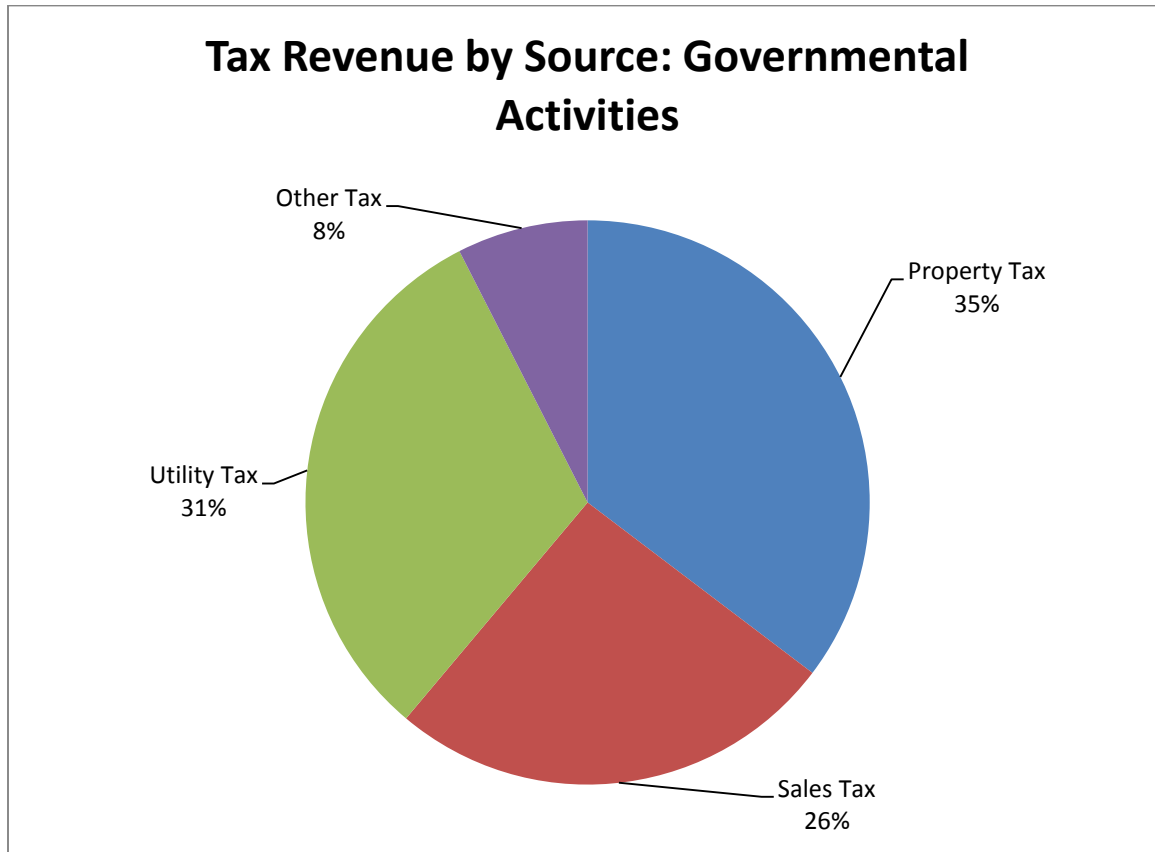
The following page provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
Change in Net Position (in thousands)	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	\$ 30,725	\$ 32,023	\$ 199,669	\$ 195,121	230,394	227,144
Operating grants and contributions	11,286	16,159	859	-	12,145	16,159
Capital grants and contributions	10,232	7,269	13,043	5,419	23,275	12,688
General revenues:					-	-
Taxes	186,373	177,840	-	-	186,373	177,840
Interest and investment earnings	5,539	1,472	646	(860)	6,185	612
Total revenues	244,155	234,763	214,217	199,681	458,372	434,444
EXPENSES						
General government	(24,212)	(15,181)	-	-	(24,212)	(15,181)
Judicial	(4,212)	(6,700)	-	-	(4,212)	(6,700)
Public safety	(112,592)	(109,028)	-	-	(112,592)	(109,028)
Utilities environment	-	-	-	-	-	-
Transportation	(46,604)	(48,666)	-	-	(46,604)	(48,666)
Economic environment	(19,235)	(22,153)	-	-	(19,235)	(22,153)
Mental and physical health	(99)	(118)	-	-	(99)	(118)
Culture and recreation	(31,201)	(29,133)	-	-	(31,201)	(29,133)
Interest on long-term debt	(7,358)	(7,995)	-	-	(7,358)	(7,995)
Water/Sewer	-	-	(103,104)	(97,160)	(103,104)	(97,160)
Solid Waste	-	-	(75,335)	(74,174)	(75,335)	(74,174)
Other business-type activities	-	-	(8,851)	(8,607)	(8,851)	(8,607)
Total expenses	(245,513)	(238,973)	(187,290)	(179,941)	(432,803)	(418,913)
Excess (deficiency) of revenues over expenses before contributions & transfers	(1,358)	(4,209)	26,927	19,740	25,569	15,530
Transfers	203	49	(203)	(49)	-	-
Increase (decrease) in net position	(1,155)	(4,160)	26,724	19,691	25,569	15,530
Net Position - January 1, as restated	1,503,426	1,531,378	737,851	721,659	2,241,277	2,253,036
Net Position - December 31	\$ 1,502,271	\$ 1,527,218	\$ 764,575	\$ 741,349	\$ 2,266,846	\$ 2,268,567

GOVERNMENTAL REVENUES

The City is heavily reliant on three types of taxes to support governmental operations—more than 76% of the governmental activities revenue is derived from taxes. Charges for services represented 13% of these revenues, grants and contributions represented 9%, and interest earnings made up the remaining 2%.

A breakdown of tax revenue is shown below.

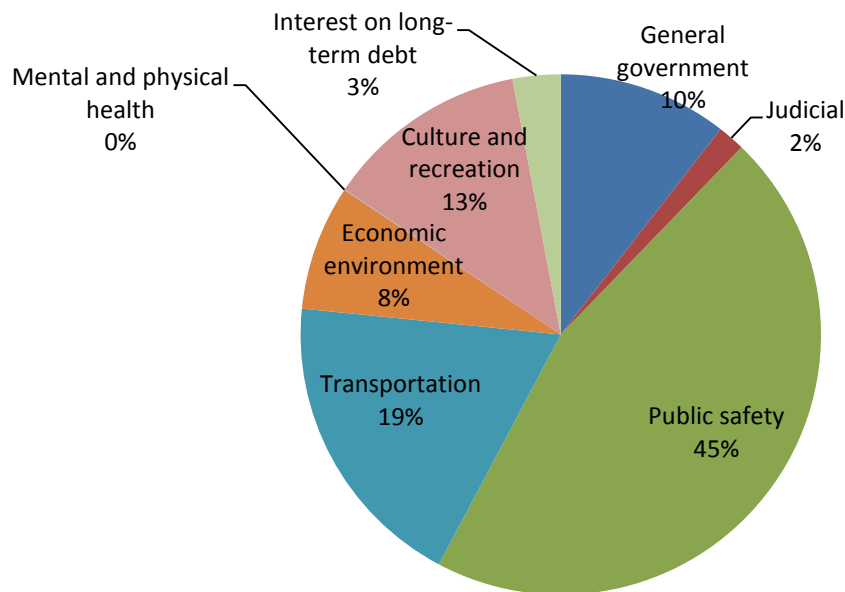


For governmental activities, program revenues cover approximately 13% of governmental operating expenses. This means that the government's taxpayers and the City's other general revenues fund 87% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

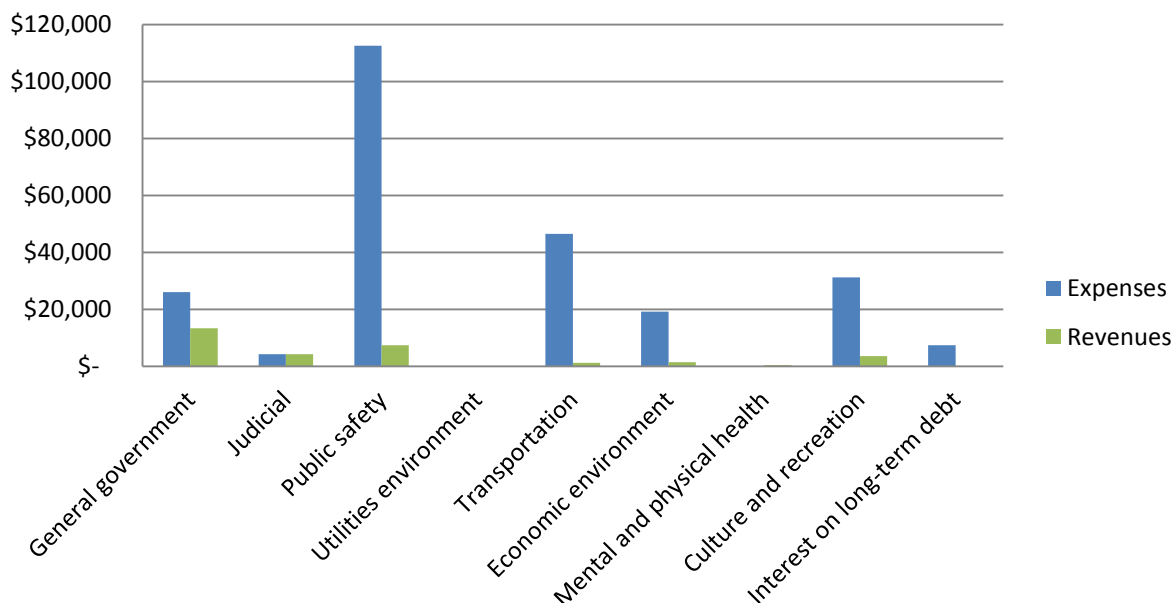
Public safety continues to be a major priority of the City followed by transportation (streets) and culture and recreation (parks and libraries). At year-end, the allocation by program function is as follows:

Expenses by Source: Governmental Activities



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

Program Revenues and Expenses: Governmental Activities (in thousands)



Program revenues did not cover the program expenses in any function in 2014. Of the capital contributions of \$10.2 million, \$1.8 million is related to University District pedestrian bridge from the Department of Commerce; \$0.7 million is capital contributions in the City's internal service funds, and \$7.7 million is related to streets from the Department of Transportation, the Washington State Department of Transportation, and the Washington Transportation Improvement Board.

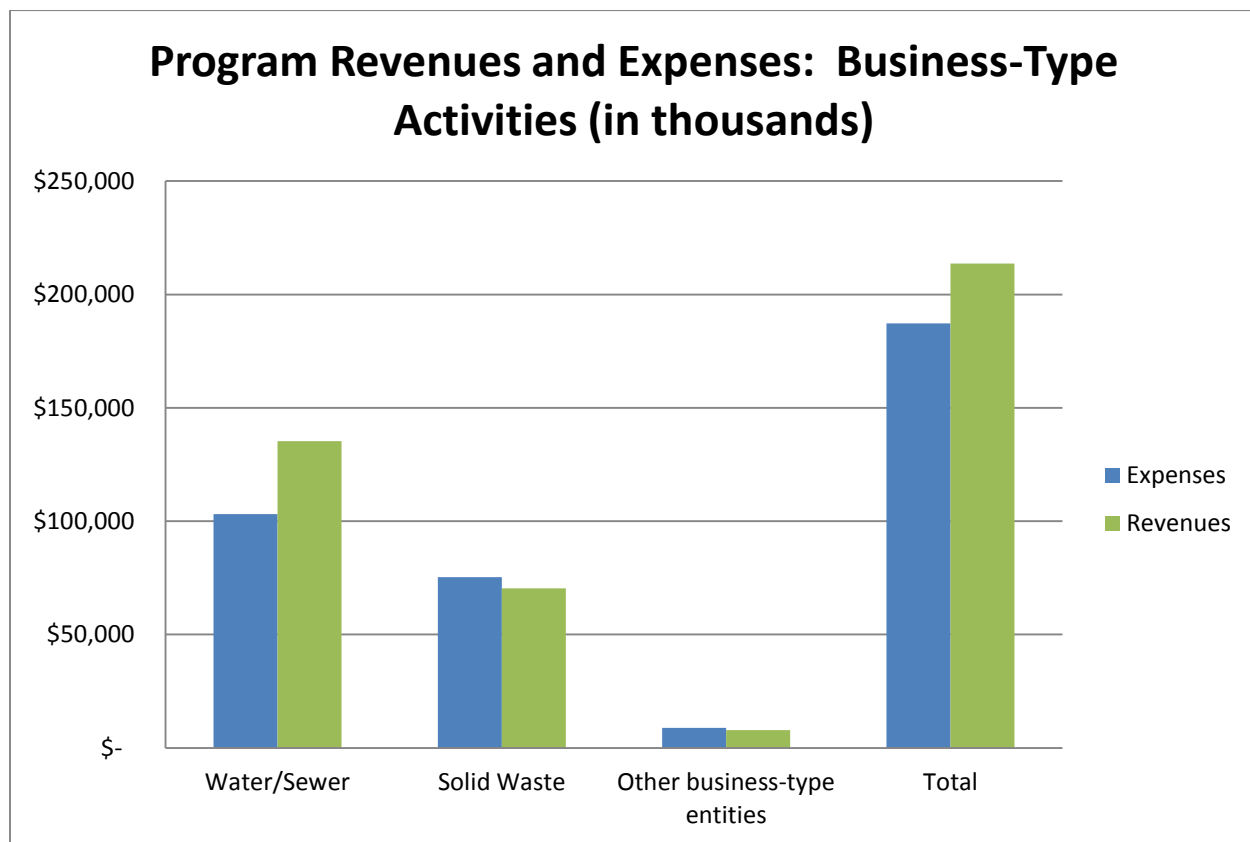
BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

For all enterprise funds, the City reports a current ratio of 14.9, which is a healthy ratio. The business-type activities report capitalized assets of \$632 million, which provide a variety of services to the citizens of Spokane as well as some populations outside the City limits.

The business-type activities report \$152.9 million in unrestricted net position, which provide these funds with adequate resources to maintain service levels and invest in future infrastructure requirements.

The operating revenues for the City's four enterprise funds increased by \$4.6 million or 2.4% over the prior year, and operating expenses increased by \$10.1 million or 5.7% over 2013. The result is that operating income decreased by \$5.4 million (\$9.2 million in 2014 compared to \$14.6 million in 2013). All enterprise funds except the Water/Sewer fund experienced net losses in 2014.

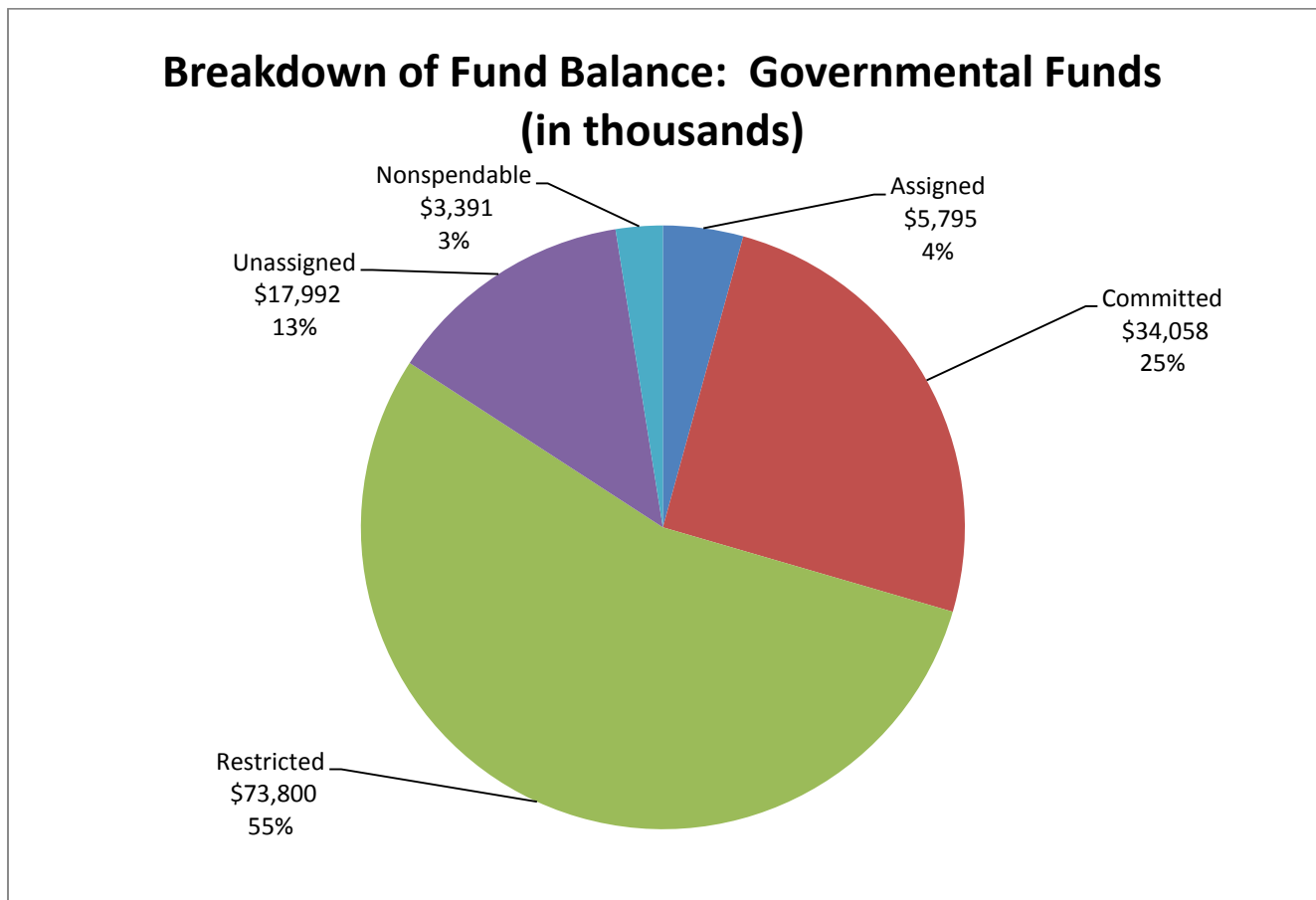
The chart below presents the revenues and expenses of each of the City's business-type activities. This net cost illustrates whether revenues are sufficient to meet current expenses.



Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balance of \$135.0 million. Of this total, \$5.8 million is assigned and \$18.0 million is unassigned. This represents approximately 18% of the total fund balance, and this constitutes a fund balance that is accessible to meet the City's needs. The remainder of the governmental funds' fund balance includes \$3.3 million "not in spendable form" for items that are not expected to be converted to near-term cash such as internal loans and inventory; \$73.8 million restricted by external parties, including grantors and creditors, and \$34.1 million committed by the City's elected officials for specific purposes.



Major Governmental Funds

The **General Fund** is the City's primary operating fund and the largest source of day-to-day service delivery. Pursuant to the implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City has combined several special revenue funds with the general fund for financial reporting purposes. A schedule of the funds included in the General Fund information is included as a supplemental schedule. The General Fund's fund balance increased in 2014 by \$3.4 million.

Committed, assigned and unassigned fund balance in the General Fund was \$37.7 million, which as a percentage of expenditures was 25% of annual operations, compared with 25% at the end of 2013. The General Fund reserves are still considered adequate, and provide the City's management with the ability to effectively manage the economic slowdown and budgetary challenges that are facing many businesses and governments at this time.

During the strong economic years in the middle of the previous decade, the City's management and elected officials committed to building a robust reserve to ensure the long-term financial health of the General Fund, and the fund balance at the end of 2014 reflects the results of this commitment. The steps taken to achieve this result and how the reserve has been managed during the current economic situation are discussed in the *Budgetary Highlights* section of this analysis.

The Proprietary Funds

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

The **Water/Sewer Fund** - The water/sewer fund reports net position of \$638 million, with 86% represented by capital assets. The current ratio for this fund is 20.34, which provides this fund with adequate resources to cover cash flow issues.

The water/sewer fund reported operating income of \$17.5 million. The City's management and elected officials are strategically balancing the amount of utility expenses that the citizens of Spokane can afford with the need to maintain service delivery, maintain and improve the utility's infrastructure, and provide for growth. Currently, this involves setting utility rate increases to be consistent with the consumer price index and aggressively managing operating expenses. The aggressive management of operating expenses allows for operating revenues to be directed towards investments in the utility's infrastructure. The sewer system is subject to regulatory requirements that will require significant capital improvements over the next several years. Part of the 2014 operating income will be directed towards those regulatory requirements in the coming years.

The **Solid Waste Fund** - The solid waste fund reports net position of \$108 million. The net investment in capital assets (i.e., the book value of the capital assets less related debt) is \$77 million. The current ratio for this fund is 4.87 which provides this fund with adequate resources to cover cash flow requirements. This fund reports \$31.8 million in unrestricted net position.

The solid waste fund reported an operating loss of \$7.1 million. \$2.0 million of the loss is due to an increase in depreciation expense that is consistent with a 5% reduction in depreciable assets. The remainder of the loss is due, in part, to the fact that the rate revenue increases are not sufficient to cover the current operating expenses of the Department.

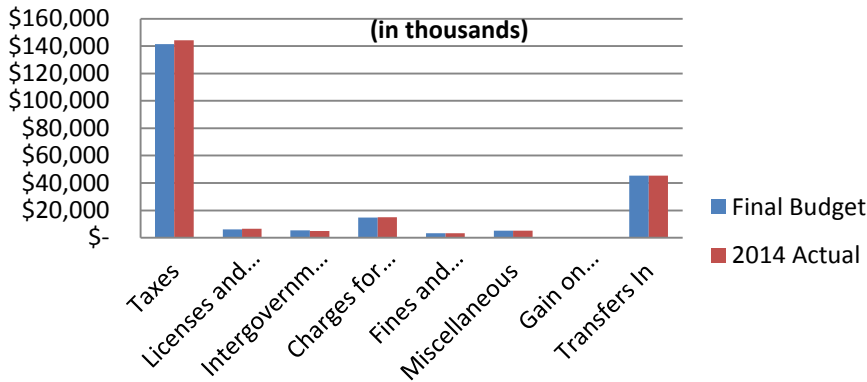
Budgetary Highlights

The **General Fund** - The General Fund's original revenue budget was \$50.2 million more than the 2013 actual results. The original expenditure budget was \$48.7 million more than the 2013 actual results. The primary reason for this is the Emergency Medical Services Fund (EMS), is included in the General Fund in 2014. Beginning in 2014, the City records the EMS activity in a special revenue fund. Because the EMS fund receives a majority of its funding from the General Fund, an operating transfer in/out of \$35 million was budgeted to accommodate the change in fund types. Excluding this change in fund structure, the original revenue budget increased by \$15 million and the original expense budget increased by \$14 million.

For the past several years, the City has strived to develop a budget that limits expenditures to anticipated revenue for the current year. The City Council amended both the revenue and expenditure budgets during 2014; the amendments resulted in a 1.0% change between the original and final budget for revenues, and a 3.5% change for expenditures.

On the revenue side of the budget, the 2014 actual revenues exceeded the final budget by \$2.9 million or 1%, although there were differences among the various categories. There was a favorable budget variance in taxes, the majority of which is due to higher than expected sales taxes of \$2.0 million.

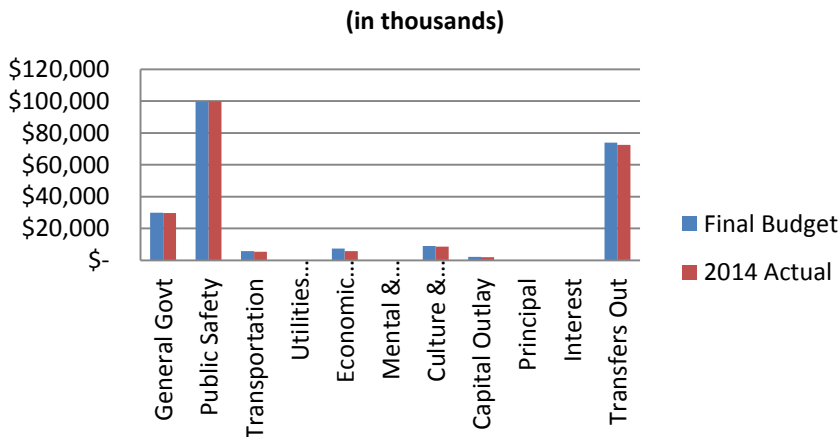
General Fund Revenues Final Budget vs. Actual



The actual expenditures were approximately \$3.8 million less than the final budget, or 1.6% below budget. The largest variances between the final budget and the actual amounts were in the economic environment and transfer out categories. There were also positive budget variances in the public safety category. Generally, these positive variances related to reduced expenditures across most of the general fund, as the City's management and Council continue to recognize the effects of revenue shortfalls and adjust expenditures accordingly.

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

General Fund Expenses Final Budget vs. Actual



Capital Assets and Debt Administration

Capital assets

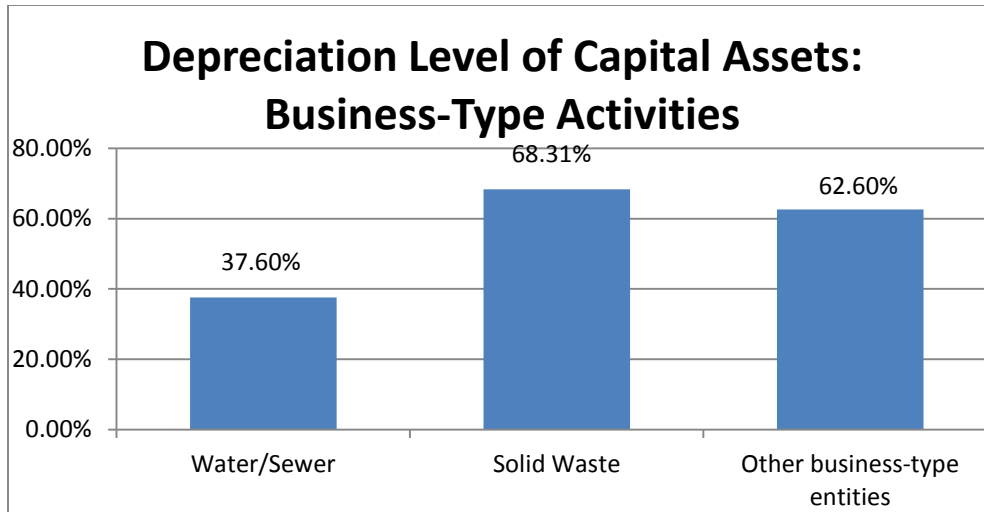
The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2014, was \$1,541 million and \$632 million respectively. See Note 4 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

The following table provides a summary of capital assets.

	Governmental Activities		Business-Type Activities		Total	
Summary of Capital Assets (in thousands)	2014	2013	2014	2013	2014	2013
NON-DEPRECIABLE ASSETS						
Land	\$ 836,359	\$ 836,406	\$ 14,230	\$ 14,651	\$ 850,589	\$ 851,057
Construction in progress	30,135	31,824	50,594	59,952	80,729	91,776
Total non-depreciable assets	866,494	868,231	64,824	74,603	931,318	942,834
DEPRECIABLE ASSETS						
Buildings	87,305	87,266	284,687	291,352	371,993	378,618
Other improvements	83,362	81,688	97,151	73,867	180,513	155,555
Machinery and equipment	96,832	96,542	148,779	155,978	245,611	252,520
Infrastructure	1,020,872	1,000,574	487,762	453,533	1,508,633	1,454,108
Intangible assets	-	-	114	114	114	114
Total depreciable assets	1,288,371	1,266,070	1,018,493	974,844	2,306,864	2,240,914
Total cost of capital assets	2,154,865	2,134,300	1,083,318	1,049,448	3,238,183	3,183,748
ACCUMULATED DEPRECIATION	(613,386)	(585,127)	(450,892)	(437,132)	(1,064,278)	(1,022,259)
Total book value of capital assets	\$ 1,541,479	\$ 1,549,173	\$ 632,426	\$ 612,316	\$ 2,173,905	\$ 2,161,489
Percentage depreciated	48%	46%	44%	45%	46%	46%

At December 31, 2014 and December 31, 2013, the depreciable capital assets for governmental activities were 46-48% depreciated.

With the City's business-type activities, 44%-45% of the asset values were depreciated at December 31, 2014 and at December 31, 2013. These percentages indicate that the City is maintaining and replacing their assets at a favorable rate. The percentage of depreciated assets for each of the three enterprise funds that report capital assets is as follows:



Long-term debt

At the end of the fiscal year, the City had long-term debt outstanding of \$364.7 million. Of this amount, \$141.7 million or 39% is backed by the full faith and credit of the City (general obligation bonds) with debt service fully funded by voter-approved property taxes or general government revenue. The other major component of \$222 million is supported by pledged revenues generated primarily by the business-type activities of the City (loans from other governments).

During the year, the City retired \$16.6 million or 9.8% of the beginning outstanding borrowed debt balance.

	Governmental Activities		Business-Type Activities		Total	
Outstanding Borrowings	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 137,956,287	\$ 152,536,287	453,713	\$ 453,713	138,410,000	\$ 152,990,000
Deferred amounts ¹	3,313,426	3,736,628	-	-	3,313,426	3,736,628
Special assessment debt	480,000	640,000	-	-	480,000	640,000
Revenue bonds	-	-	181,225,000	-	181,225,000	-
Deferred amounts	-	-	19,711,699	-	19,711,699	-
Other government/bank loans	1,291,890	1,404,806	20,345,446	10,179,027	21,637,336	11,583,833
Total	\$ 143,041,603	\$ 158,317,721	\$ 221,735,858	\$ 10,632,740	\$ 364,777,461	\$ 168,950,461
¹ Not presented in prior years.						

Long-term debt increased by \$212.5 million during 2014, which was the result of a new "green bond". In November 2014, the City of Spokane sold \$181,225,000 in Water Wastewater Utility revenue bonds to pay for a series of projects that are designed to improve the health of the Spokane River and to protect the aquifer that provides Spokane residents with their drinking water.

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

The money raised through the bond sale, in large part, will help the City implement its Integrated Clean Water Plan. The plan includes work to manage overflows from combined sanitary and stormwater sewers, address untreated

storm water going to the river, and to add an additional level of wastewater treatment at the City's Riverside Park Water Reclamation Facility. The bonds mature in 2034.

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

Economic Conditions Affecting the City

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

Contacting the City's Financial Management

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

**Statement of Net Position
December 31, 2014**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 41,676,740	\$ 12,209,130	\$ 53,885,870
Equity in pooled investments	98,729,721	304,867,711	403,597,432
Receivables (net)	32,142,691	33,318,824	65,461,515
Internal balances	(16,984,804)	16,984,804	-
Inventories	2,640,191	4,554,723	7,194,914
Other assets	(7,404)	-	(7,404)
Restricted Assets:			
Cash and cash equivalents	-	17,102,926	17,102,926
Receivables , noncurrent	39,250,115	72,145	39,322,260
Other	-	-	-
Capital Assets (Note 4):			
Non-depreciable assets	866,494,093	64,824,395	931,318,488
Depreciable assets, net of depreciation	674,984,852	567,601,816	1,242,586,668
Total capital assets, net of depreciation	1,541,478,945	632,426,211	2,173,905,156
Total Assets	1,738,926,195	1,021,536,474	2,760,462,669
LIABILITIES			
Accounts payable and accrued expenses	9,968,602	14,860,550	24,829,152
Accrued liabilities		-	-
Unearned revenue	(24,575)	-	(24,575)
Other liabilities, current	8,721,949	2,457,376	11,179,325
Long term liabilities (Note 9):			
Due within one year	26,736,460	7,625,626	34,362,086
Due within more than one year	191,252,955	232,018,226	423,271,181
Total Liabilities	236,655,391	256,961,778	493,617,169
NET POSITION			
Net investment in capital assets	1,416,827,770	611,627,054	2,028,454,824
Restricted for:			
Capital projects	24,577,094	-	24,577,094
Debt service	6,592,113	-	6,592,113
Grants/other	42,003,916	-	42,003,916
Police and firefighters' pension	554,020	-	554,020
Other	72,751	-	72,751
Unrestricted	11,643,140	152,947,642	164,590,782
Total Net Position	\$ 1,502,270,804	\$ 764,574,696	\$ 2,266,845,500

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

Statement of Activities
For the Fiscal Year Ended December 31, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Governmental Activities:				
General government	\$ 24,211,951	\$ 12,497,839	\$ -	\$ 47,430
Judicial	4,211,655	4,257,090	80,250	-
Public safety	112,592,115	7,359,022	592,105	565,125
Transportation	46,603,714	1,220,507	-	9,546,477
Economic environment	19,235,230	1,412,095	10,613,054	-
Mental and physical health	98,801	413,569	-	-
Culture and recreation	31,200,609	3,564,892	500	73,049
Interest on long-term debt	7,357,977	-	-	-
Total governmental activities	245,512,051	30,725,014	11,285,909	10,232,081
Business-Type Activities:				
Water/Sewer	103,104,367	122,388,517	40,663	12,885,523
Solid Waste	75,335,324	69,409,403	817,905	157,550
Other business-type entities	8,850,705	7,870,889	-	-
Total business-type activities	187,290,396	199,668,809	858,568	13,043,073
Total government	\$ 432,802,447	\$ 230,393,823	\$ 12,144,477	\$ 23,275,154

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

Statement of Activities
For the Fiscal Year Ended December 31, 2014

Net (Expense) Revenue and Change in Net Position			
Functions/Programs	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (11,666,682)	\$ -	\$ (11,666,682)
Judicial	125,685	-	125,685
Public safety	(104,075,863)	-	(104,075,863)
Transportation	(35,836,729)	-	(35,836,729)
Economic environment	(7,210,081)	-	(7,210,081)
Mental and physical health	314,768	-	314,768
Culture and recreation	(27,562,168)	-	(27,562,168)
Interest on long-term debt	(7,357,977)	-	(7,357,977)
Total governmental activities	(193,269,046)	-	(193,269,046)
Business-Type Activities:			
Water/Sewer	-	32,210,336	32,210,336
Solid Waste	-	(4,950,466)	(4,950,466)
Other business-type entities	-	(979,816)	(979,816)
Total business-type activities	-	26,280,054	26,280,054
Total government	\$ (193,269,046)	\$ 26,280,054	\$ (166,988,992)
General Revenues			
Property taxes	65,833,242	-	65,833,242
Sales taxes	48,085,611	-	48,085,611
Utility taxes	58,460,567	-	58,460,567
Other taxes	13,993,328	-	13,993,328
Investment earnings	5,539,253	645,703	6,184,956
Transfers	202,918	(202,918)	-
Total general revenues and transfers	192,114,920	442,785	192,557,705
Change in Net Position	(1,154,126)	26,722,839	25,568,713
Prior period adjustment	(23,699,523)	(3,582,968)	(27,282,491)
Net Position - beginning (restated)	1,527,124,453	741,434,825	2,268,559,278
Net Position - ending	\$ 1,502,270,804	\$ 764,574,696	\$ 2,266,845,500

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

**Balance Sheet
Governmental Funds
December 31, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,990,964	\$ 18,538,088	\$ 24,529,052
Deposits with fiscal agents/trustees	57,253	32,898	90,151
Equity in pooled investments	16,651,243	34,891,292	51,542,535
Taxes receivable	13,109,413	3,405,240	16,514,653
Bonds receivable	-	-	-
Special assessment receivable	-	2,987,122	2,987,122
Accounts receivable	3,171,307	665,898	3,837,205
Interest receivable	265,312	33,123	298,435
Due from other funds	5,324,271	3,251,368	8,575,639
Interfund loan receivable	2,756,425	225,886	2,982,311
Due from other governments	1,025,942	6,912,258	7,938,200
Advances to other funds	632,769	1,403,081	2,035,850
Inventories	-	1,049,975	1,049,975
Notes/contract receivable (non current)	220,596	39,029,519	39,250,115
Total Assets	49,205,495	112,425,748	161,631,243
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
Total Assets Plus Deferred Outflows of Resources	49,205,495	112,425,748	161,631,243
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/vouchers payable	2,116,933	4,033,664	6,150,597
Due to other funds	1,003,485	2,527,563	3,531,048
Due to other governments	11,164	136,886	148,050
Revenues collected in advance	-	104,701	104,701
Interfund loan payable	47,804	2,676,111	2,723,915
Other accrued liabilities	3,682,699	615,159	4,297,858
Other current liabilities	1,164,547	2,749,337	3,913,884
Total Liabilities	8,026,632	12,843,421	20,870,053
DEFERRED INFLOWS OF RESOURCES			
Property taxes	2,090,209	3,634,827	5,725,036
Total Liabilities Plus Deferred Inflows of Resources	10,116,841	16,478,248	26,595,089
Fund Balance			
Nonspendable	713,084	2,677,942	3,391,026
Restricted for:			
Capital projects	-	24,577,094	24,577,094
Police and firefighters' pensions	-	554,020	554,020
Grants/other	643,384	41,360,532	42,003,916
Debt service	-	6,592,113	6,592,113
Other	-	72,751	72,751
Committed	15,223,429	18,834,822	34,058,251
Assigned	4,516,930	1,278,226	5,795,156
Unassigned	17,991,827	-	17,991,827
Total Fund Balance	\$ 39,088,654	\$ 95,947,500	\$ 135,036,154

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

**Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2014**

Total Fund Balance of Governmental Funds	\$	135,036,154
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Non-depreciable assets	858,727,264	
Depreciable assets	1,218,989,303	
Less: Accumulated depreciation	(576,056,122)	
Total capital assets		1,501,660,445

Some of the city's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	5,854,315
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	58,809,565
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Bonds payable	(137,956,287)	
Deferred amounts on bond issuance	(3,313,426)	
Special assessment debt	(480,000)	
Due to other governments	(1,291,890)	
Kendall Yards tendered improvements	(1,383,384)	
OPEB (other postemployment benefits) liability	(13,110,989)	
Net pension obligation	(25,627,027)	
Accrued interest on bonds	(402,241)	
Compensated absences	(15,524,431)	
Total long term liabilities		(199,089,675)

Net Position of Governmental Activities	\$	1,502,270,804
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2014

	General Fund	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 144,212,210	\$ 33,766,752	\$ 177,978,962
Licenses and permits	6,559,707	526,445	7,086,152
Intergovernmental	4,904,281	30,107,622	35,011,903
Charges for services	14,996,191	11,027,530	26,023,721
Fines and forfeitures	3,429,036	2,026,194	5,455,230
Miscellaneous	5,169,566	5,004,349	10,173,915
Total Revenues	179,270,991	82,458,892	261,729,883
EXPENDITURES			
Current:			
General government	29,794,365	8,500,686	38,295,051
Public safety	99,969,355	15,689,503	115,658,858
Transportation	5,478,905	20,396,166	25,875,071
Economic environment	5,878,651	13,471,462	19,350,113
Mental and physical health	99,984	-	99,984
Culture and recreation	8,562,684	16,299,800	24,862,484
Capital outlays	2,048,890	20,786,049	22,834,939
Debt service:			
Principal	-	14,881,856	14,881,856
Interest	-	7,218,655	7,218,655
Total Expenditures	151,832,834	117,244,177	269,077,011
Excess of Revenues Over (Under) Expenditures	27,438,157	(34,785,285)	(7,347,128)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	(265)	651,472	651,207
Proceeds of long term bonds	-	-	-
Premium on bonds issued	-	-	-
Bond underwriter's discount	-	-	-
Transfers in	50,000	41,674,032	41,724,032
Transfers out	(27,267,901)	(15,926,087)	(43,193,988)
Total Other Financing Sources (Uses)	(27,218,166)	26,399,417	(818,749)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	219,991	(8,385,868)	(8,165,877)
Other Changes in Fund Balance			
Prior Period Adjustment	556,890	(136,855)	420,035
Fund Balance - beginning (restated)	38,311,773	104,470,223	142,781,996
Fund Balance - ending	\$ 39,088,654	\$ 95,947,500	\$ 135,036,154

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Fiscal Year Ended December 31, 2014**

Change in fund balance - governmental funds **\$ (8,165,877)**

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital outlays	26,264,986	
Depreciation expense	(31,375,502)	
		(5,110,516)

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

Capital assets sold	(10,066,830)	
Less accumulated depreciation	5,021,102	
		(5,045,728)

Some revenues in the governmental funds that were not available until the current year were reported in prior years in the Statement of Activities. (350,077)

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

Principal repayments - general obligation debt	14,580,000	
Principal repayments - special assessment debt	160,000	
Principal repayments - due to other governments	112,916	
Principal repayments - Kendall Yards	28,939	14,881,855

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

(Increase) decrease in OPEB (other postemployment benefit) liability	(987,393)	
(Increase) decrease in compensated absences	(2,576,089)	
(Increase) decrease in deferred amounts on bond issuance	423,202	
(Increase) decrease in accrued interest	283,880	
		(2,856,400)

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

5,492,617

Change in net position of governmental activities **\$ (1,154,126)**

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

**Statement of Net Position
Proprietary Funds
December 31, 2014**

	Business-Type Activities - Enterprise Funds				continued
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	Governmental Activities Internal Service
ASSETS					
Current Assets:					
Cash and equivalents	\$ 5,952,287	\$ 5,406,849	\$ 789,431	\$ 12,148,567	\$ 16,031,124
Deposits with fiscal agents	50,915	9,648	-	60,563	1,026,413
Equity in pooled investments	281,399,016	21,497,891	1,970,804	304,867,711	47,187,186
Accounts receivable	12,518,243	5,455,549	172,201	18,145,993	546,510
Interest receivable	235,116	10,311	981	246,408	14,966
Due from other funds	1,504,519	1,328,484	249,405	3,082,408	3,919,712
Interfund loan receivable	1,466,321	166,931	10,058	1,643,310	240,840
Due from other governments	5,871,812	9,054,611	-	14,926,423	5,600
Inventories	2,454,914	2,063,684	36,125	4,554,723	1,590,216
Prepayments	-	-	-	-	(7,405)
Equity in pooled investments, restricted	5,894,381	11,208,545	-	17,102,926	-
Interest receivable, restricted	-	-	-	-	-
Total current assets	317,347,524	56,202,503	3,229,005	376,779,032	70,555,162
Noncurrent assets:					
Non depreciable capital assets:					
Land	8,780,034	4,160,741	1,289,224	14,229,999	6,281,199
Construction in progress	43,852,840	6,741,556	-	50,594,396	1,485,630
Depreciable capital assets:					
Property, plant, and equipment	306,573,894	208,353,928	15,690,259	530,618,081	55,011,090
Infrastructure	487,761,626	-	-	487,761,626	8,797,234
Capitalized software	-	-	-	-	5,573,267
Intangible assets	113,766	-	-	113,766	-
Less accumulated depreciation	(298,737,613)	(142,332,685)	(9,821,359)	(450,891,657)	(37,329,920)
Total capital assets	548,344,547	76,923,540	7,158,124	632,426,211	39,818,500
Other noncurrent assets:					
Other noncurrent assets and deferred charges	49,500	22,645	-	72,145	-
Advances to other funds	11,552,911	1,315,222	79,252	12,947,385	1,897,534
Total noncurrent assets	559,946,958	78,261,407	7,237,376	645,445,741	41,716,034
Total assets	877,294,482	134,463,910	10,466,381	1,022,224,773	112,271,196
Deferred outflows of resources					
Total deferred outflows of resources	-	-	-	-	-
Total assets plus deferred outflows of resources	877,294,482	134,463,910	10,466,381	1,022,224,773	112,271,196

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

**Statement of Net Position
Proprietary Funds
December 31, 2014**

	Business-Type Activities - Enterprise Funds				concluded
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	Governmental Activities Internal Service
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 5,558,275	\$ 8,442,375	\$ 50,158	\$ 14,050,808	\$ 3,195,647
Claims and judgments payable	-	-	-	-	17,419,933
Compensated absences	175,148	55,773	34,416	265,337	143,936
Due to other funds	6,171,370	2,285,431	224,762	8,681,563	3,365,148
Interfund loan payable	-	-	-	-	19,023,315
Due to other governments	1,589,920	-	-	1,589,920	72,067
Accrued interest	685,729	-	-	685,729	-
Other accrued liabilities	840,744	597,037	193,080	1,630,861	412,714
Other current liabilities	579,281	170,423	76,811	826,515	97,493
Total current liabilities	15,600,467	11,551,039	579,227	27,730,733	43,730,253
Current liabilities payable from restricted assets:					
Revenue bonds payable	5,625,000	-	-	5,625,000	-
Unamortized premium on revenue bonds	269,381	-	-	269,381	-
Total current liabilities payable from restricted assets	5,894,381	-	-	5,894,381	-
Noncurrent Liabilities:					
Revenue bonds payable	175,600,000	-	-	175,600,000	-
Unamortized premium on revenue bonds	19,442,318	-	-	19,442,318	-
General obligation bonds payable	-	-	453,713	453,713	-
Due to other governmental units	18,879,539	-	-	18,879,539	-
Compensated absences	2,997,382	1,093,678	512,999	4,604,059	1,738,114
Accrued landfill liability	-	1,756,909	-	1,756,909	-
Accrued landfill postclosure liability	-	11,281,689	-	11,281,689	-
Total noncurrent liabilities	216,919,239	14,132,276	966,712	232,018,227	1,738,114
Total Liabilities	238,414,087	25,683,315	1,545,939	265,643,341	45,468,367
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources	-	-	-	-	-
Total Liabilities plus deferred inflows of resources	238,414,087	25,683,315	1,545,939	265,643,341	45,468,367
NET POSITION					
Net investments in capital assets	527,999,103	76,923,540	6,704,411	611,627,054	20,723,130
Restricted	-	-	-	-	-
Unrestricted	110,881,292	31,857,055	2,216,031	144,954,378	46,079,699
Total Net Position	\$ 638,880,395	\$ 108,780,595	\$ 8,920,442	\$ 756,581,432	\$ 66,802,829
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				7,993,264	
Net position of business-type activities				\$ 764,574,696	

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
OPERATING REVENUES					
Charges for goods and services	\$ 119,794,095	\$ 67,352,408	\$ 7,739,907	\$ 194,886,410	\$ 41,747,966
Miscellaneous revenue		1,699,811	-	1,699,811	39,406,272
Other operating revenue			13,580	13,580	1,838
Total operating revenues	119,794,095	69,052,219	7,753,487	196,599,801	81,156,076
OPERATING EXPENSES					
Salaries and wages	20,687,180	11,207,347	4,116,216	36,010,743	11,100,901
Personnel benefits	7,659,980	4,222,138	1,328,883	13,211,001	3,993,236
Supplies	4,352,665	468,085	268,541	5,089,291	4,511,107
Other services and charges	23,108,551	39,895,496	2,294,374	65,298,421	14,552,432
Intergovernmental	-	83,473	-	83,473	4,437
Taxes	27,251,519	9,117,848	18,297	36,387,664	161,260
Depreciation/amortization	19,185,012	11,207,633	917,963	31,310,608	4,631,989
Risk transfer payments	-	-	-	-	7,983,530
Claims processing	-	-	-	-	2,204,848
Payments to claimants and beneficiaries	-	-	-	-	27,874,011
Total operating expenses	102,244,907	76,202,020	8,944,274	187,391,201	77,017,751
Operating Income (Loss)	17,549,188	(7,149,801)	(1,190,787)	9,208,600	4,138,325
NONOPERATING REVENUES (EXPENSES)					
Interest income	502,162	126,611	16,930	645,703	180,975
Net increase (decrease) in fair value of investments			-	-	-
Gain (loss) on disposition of fixed assets	(29,919)	5,667,849	-	5,637,930	256,154
Interest expense	(1,257,467)	-	-	(1,257,467)	(329,161)
Other nonoperating revenue	886,284	1,175,089	117,402	2,178,775	3,808
Other nonoperating expense	(481,343)	-	-	(481,343)	-
Total nonoperating revenues (expenses)	(380,283)	6,969,549	134,332	6,723,598	111,776
Income (loss) before contributions and transfers	17,168,905	(180,252)	(1,056,455)	15,932,198	4,250,101
Capital contributions	8,966,475	157,550	-	9,124,025	714,182
Transfers in	-	-	-	-	4,303,877
Transfers out	(155,356)	(17,646)	(29,916)	(202,918)	(2,870,913)
Change in Net Position	25,980,024	(40,348)	(1,086,371)	24,853,305	6,397,247
Prior period adjustment	(3,634,639)	-	51,671	(3,582,968)	972,383
Net Position - beginning (restated)	616,535,010	108,820,943	9,955,142		59,433,199
Net Position - ending	\$ 638,880,395	\$ 108,780,595	\$ 8,920,442		\$ 66,802,829
Change in Net Position				24,853,305	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				1,869,534	
Change in net position of business-type activities				\$ 26,722,839	

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds					
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	Governmental Activities Internal Service	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 126,087,385	\$ 70,232,813	\$ 7,705,354	\$ 204,025,552	\$ 1,640,385	
Receipts from interfund services provided	100,867	(9,469,117)	251,428	(9,116,822)	80,189,586	
Payments to suppliers for services	(27,354,014)	(31,518,347)	(1,236,181)	(60,108,542)	(53,047,512)	
Payments to employees	(28,335,483)	(15,398,614)	(5,433,027)	(49,167,124)	(15,260,132)	
Payment for taxes - city and state	(27,251,519)	(9,117,848)	(18,297)	(36,387,664)	(161,261)	
Payments for interfund services received	1,117,234	(11,407,999)	(1,309,420)	(11,600,185)	(4,270,841)	
Other receipts (payments)	-	-	-	-	2,117,728	
Net cash provided (used) by operating activities	44,364,470	(6,679,112)	(40,143)	37,645,215	11,207,953	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	-	-	-	(2,575,172)	
Net cash provided (used) by noncapital financing activities	-	-	-	-	(2,575,172)	
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES						
Proceeds from disposal of capital assets	68,915	9,044,818	-	9,113,733	356,426	
Proceeds from loans, notes, and lease purchase payable	209,424,255	-	-	209,424,255	-	
Capital grants and contributions received	-	-	-	-	-	
Acquisition and construction of capital assets	(35,972,847)	(10,386,590)	(109,931)	(46,469,368)	(4,559,302)	
Principal paid on intergovernmental loans	(1,259,412)	-	-	(1,259,412)	-	
Principal paid on revenue bonds	-	-	-	-	-	
Interest paid on interfund loans	-	-	-	-	(329,161)	
Interest paid on intergovernmental loans	(621,777)	-	-	(621,777)	-	
Interest paid on revenue bonds	-	-	-	-	-	
Interest paid on general obligation bonds	-	-	-	-	-	
Transfers in (out)	(155,356)	(17,646)	(29,916)	(202,918)	4,008,135	
Net cash provided (used) by capital and related financing activities	171,483,778	(1,359,418)	(139,847)	169,984,513	(523,902)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	15,286,531	(5,190,454)	(866,861)	9,229,216	(13,874,280)	
Proceeds from sales and maturities of investments	(231,753,263)	11,995,965	472,624	(219,284,674)	10,959,533	
Interest received	294,309	129,616	16,647	440,572	179,446	
Net cash provided (used) by investing activities	(216,172,423)	6,935,127	(377,590)	(209,614,886)	(2,735,301)	
Net increase (decrease) in cash and cash equivalents	(324,175)	(1,103,403)	(557,580)	(1,985,158)	5,373,578	
Cash and cash equivalents - January 1	6,276,462	6,510,252	1,347,011	14,133,725	10,657,546	
Cash and cash equivalents - December 31	\$ 5,952,287	\$ 5,406,849	\$ 789,431	\$ 12,148,567	\$ 16,031,124	
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 17,549,188	\$ (7,149,801)	\$ (1,190,787)	\$ 9,208,600	\$ 4,138,325	
Adjustments to Reconcile Operating Income						
Depreciation & amortization	19,185,012	11,207,633	917,963	31,310,608	4,631,989	
Prior period adjustment	-	-	51,671	51,671	972,383	
Other revenues	886,284	1,175,089	117,402	2,178,775	3,808	
Other expenses	(481,343)	-	-	(481,343)	-	
Change in Assets: Decrease (Increase)						
Receivables, net of allowance	5,513,374	(9,462,727)	18,498	(3,930,855)	975,756	
Deposits with fiscal agents	-	350	-	350	831,971	
Inventories	(20,211)	(2,063,684)	12,051	(2,071,844)	(6,376)	
Prepayments	-	-	-	-	33,407	
Change in Liabilities: Increase (Decrease)						
Payables	1,732,166	(385,972)	33,059	1,379,253	(373,310)	
Net Cash provided (used) by operating activities	\$ 44,364,470	\$ (6,679,112)	\$ (40,143)	\$ 37,645,215	\$ 11,207,953	
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
Contributions of capital assets	\$ 8,966,475	\$ 157,550	\$ -	\$ -	\$ 714,182	

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

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Pension and Other Employee Benefit Plans	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Current Assets:			
Cash	\$ 600,024	\$ 711	\$ 5,322,151
Equity in pooled investments	-	-	1,590,017
Short term investments	6,212,637	-	-
Deposits with fiscal agents/trustees	-	-	-
Receivables, pension and other employee benefit plans:			
Interest and dividends	203,690	-	-
Taxes receivable	550,000	-	-
Other receivables	24,557	5,546	72,561
Due from other funds	-	-	-
Due from other governments	-	-	15,019
Total Current Assets	7,590,908	6,257	6,999,748
Noncurrent Assets:			
Investments, noncurrent, at fair value:			
U.S. fixed income	55,539,674	-	-
International/global fixed income	14,414,414	-	-
U.S. equities	98,334,595	-	-
Real estate	19,373,567	-	-
International equities	48,383,308	-	-
Alternatives	70,755,289	-	-
Total investments	306,800,847	-	-
Capital assets:			
Software	477,000	-	-
Other improvements	17,539	-	-
Accumulated depreciation	(89,089)	-	-
Investments, noncurrent, all other funds:			
Other non current assets	-	-	-
Total Noncurrent Assets	307,206,297	-	-
Total Assets	314,797,205	6,257	\$ 6,999,748
LIABILITIES			
Warrants payable	-	-	4,248,937
Accounts/vouchers payable	442,027	-	129,948
Due to other funds	-	-	-
Due to other governments	-	-	2,613,072
Compensated absences	15,590	-	-
Other accrued liabilities	5,152	-	-
Other current liabilities	30,718	-	2,791
Other long-term liabilities	-	-	5,000
Total Liabilities	493,487	-	\$ 6,999,748
NET POSITION			
Net assets held in trust for:			
Pension benefits	300,305,814	-	
Postemployment benefits	13,997,904	-	
Individuals, organizations, and other governments	-	6,257	
Total Net Position	\$ 314,303,718	\$ 6,257	

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended December 31, 2014

	Pension Trust Funds	Private Purpose Trust Funds	Total
ADDITIONS			
Contributions:	\$ -	\$ -	\$ -
Employer	15,062,084	-	15,062,084
Plan Members	6,822,279	-	6,822,279
Intergovernmental revenue	270,934	-	270,934
Medicare retiree drug subsidy	229,251	-	229,251
Miscellaneous	58,226	-	58,226
Private contributions	-	10,341	10,341
Total Contributions	22,442,774	10,341	22,453,115
Investment Earnings:			
Net increase in fair value of investments	8,223,246	-	8,223,246
Interest and dividends	7,307,319	-	7,307,319
Total investment earnings (loss)	15,530,565	-	15,530,565
Less: Investment expense	(445,855)	-	(445,855)
Net investment earnings (loss)	15,084,710	-	15,084,710
Total Additions	37,527,484	10,341	37,537,825
DEDUCTIONS			
Benefits	24,699,338	-	24,699,338
Medical and dental benefits	5,296,027	-	5,296,027
Pension refunds	625,184	-	625,184
Medical and dental administration	434,884	-	434,884
Administrative expenses	486,477	-	486,477
Maintenance costs	-	14,315	14,315
Total Deductions	31,541,910	14,315	31,556,225
Change in Fiduciary Net Position	5,985,574	(3,974)	5,981,600
Other Changes in Net Position			
Prior Period Adjustment	-	-	-
Net Position - beginning	308,318,144	10,231	308,328,375
Net Position - ending	\$ 314,303,718	\$ 6,257	\$ 314,309,975

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

Note 1

Summary of Significant Accounting Policies

The City of Spokane was incorporated November 29, 1881 with a population of 1,000 people and an area of two square miles. Today, over 100 years later, the City's population is approximately 209,100 people within an area of about 60.2 square miles. The City's first charter was adopted December 28, 1910, with a Commission form of government. On January 1, 2001 the City began operating under the Strong Mayor-Council form of government that was adopted November 7, 2000.

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

During 2014, the City's pension plans implemented Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans*. The changes required by this statement can be found in the separately issued statements as discussed in Note 5.

During 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement 69, *Government Combinations and Disposals of Government Operations*. In 1988, an Interlocal Agreement between the City of Spokane and Spokane County was executed to form the Spokane Regional Solid Waste System (SRSWS), which was a department of the city. The SRSWS was responsible for developing a regional solid waste management system including the financing and construction of the Waste to Energy (WTE) Facility and the Spokane Valley and North County transfer stations. On November 16, 2014, the 1988 Interlocal Agreement that formed the SRSWS terminated. On November 17, 2014, the Spokane Valley and North County transfer stations were sold to Spokane County. See Note 12 for additional information regarding the disposal of the transfer stations.

A. REPORTING ENTITY

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

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

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

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

Community Colleges of Spokane

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

Spokane School District #81

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

Spokane Housing Authority

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

Spokane Transit Authority

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

Spokane Public Facilities District

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

Blended Component Units/Related Organizations

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

The Northeast Public Development Authority was created to invest in community outreach, infrastructure, economic development partnerships, and land development to create business and job opportunities within the northeast development target area. As of December 31, 2014, there were no financial transactions that are reported in the city's financial statements.

The University Public Development Authority (PDA) was established to cultivate an urban university district environment favorable to development. As of December 31, 2014, the PDA had \$2,534 in expenses.

The Spokane Transportation Benefit District (TBD) was created to make transportation improvements consistent with existing state, regional, and local transportation plans. The financial transactions of the TBD are shown in the *Combining Statement of Changes in Assets and Liabilities, Agency Funds*.

Joint Ventures

The City participates in two joint ventures. These include the Spokane International Airport and the Spokane Regional Transportation Council. The Spokane Regional Transportation Council is

accounted for by the City in an Agency fund. The Spokane International Airport is not part of the City and is excluded from the accompanying financial statements. See Note 11, Joint Ventures, which more fully describes these organizations.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

Statement of Net Position

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

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

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

Statement of Activities

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

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

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

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

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

Fund Financial Statements

The City uses 304 accounts that are combined into 188 rollup funds. The city presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds

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

Major Enterprise Funds

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

Operating and Nonoperating Revenues and Expenses

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

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

Nonmajor Governmental Funds

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

improvement of major city-owned facilities (other than those financed by proprietary funds).

Nonmajor Proprietary Funds

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

Fiduciary Funds

The city reports the following fiduciary funds:

- **Pension (and other Employee Benefit) Trust Funds** are used to report resources that are required to be held in trust by the city for the members and beneficiaries of its defined benefit and other employee benefits plans.
- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension trusts, under which trust principal and income benefit individuals, private organizations, or other governments.
- **Agency Funds** account for resources held by the city in a custodial capacity for other governments, private organizations, or individuals.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due, and certain compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are

expected to be liquidated with available expendable financial resources.

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

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

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

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

Excess of Expenditures Over Appropriations

The following governmental funds reported excess expenditures and other uses over appropriations:

Fund	Amount
Real Estate Rental	242
Intermodal Facility Operation	19,526
Home Rehabilitation	3,206
WIA Governor's Grant	17
Housing Stabilization	18,917
Special Assessment Debt	98,768
Capital Projects Construction	206
Total	140,882

Funds with Deficit Fund Balance/Net Position

The following funds reported deficit fund balance/net position as of December 31, 2014:

Fund	Amount
WIA Youth Programs	253
Capital Improvements 1999 Fire	950
Accounting Services	92,067
Total	\$ 93,270

The Accounting Services Fund deficit is the result of under-charging other City funds for actual expenses of the internal service fund. Budgeted allocations to other funds were underestimated. The City plans to fully recover the deficit from the internal customer funds by the end of 2015.

D. BUDGETARY INFORMATION

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

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

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

1. Prior to November 1, the Mayor submits to the City Council a preliminary budget and budget message and files it with the City Clerk.

2. Public hearings are conducted to obtain taxpayers comments.
3. Prior to January 1, the budget is legally adopted through passage of an ordinance. The City is required by state law to adopt a balanced budget.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council.
5. A comparison of budget to actual is used as a management control device during the year for all funds.
6. The expenditures of a given fund may not legally exceed its appropriations.
7. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.
8. The level of control for adopted budgets is at the fund level.
9. Any unexpended appropriation balances automatically lapse at year-end.

Encumbrances

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

E. ASSETS, LIABILITIES, AND NET POSITION

1. Cash and Equivalents

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

2. Investments

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

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

3. Receivables

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

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

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

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

5. Inventories

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

system. Other reported inventories are determined by physical count.

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

6. Restricted Assets

The proceeds of enterprise fund revenue bonds, as well as other resources, are restricted by applicable bond ordinances for construction costs and debt service payments. The current portion of related liabilities is shown as Payables from Restricted Assets. Owners and operators of Solid Waste Landfill units are required under the Washington Administrative Code to establish financial assurance for closure and post-closure monitoring of those units. Specific reserve requirements are described in Note 12, Enterprise Funds.

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

Nature of Restricted Assets	Amount
Equity in Pooled Investments - Landfill Liability	\$ 11,208,545
Current portion of revenue bonds payable	\$ 5,894,381
Total	\$ 17,102,926

7. Other Noncurrent Assets

Other Long-Term Assets include long-term Contracts Receivable in the Sewer fund and Other Long-Term Assets in the Solid Waste fund. See Note 12, Enterprise Funds for a description of noncurrent assets.

8. Unearned Revenue

Unearned revenue includes deferred inflows of resources such as property taxes and special

assessment receivables, as well as revenues collected in advance for golf.

9. Capital Assets (see Note 4)

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

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

Capital assets such as property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

10. Compensated Absences

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

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

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

11. Long-Term Liabilities (See Note 9)

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

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

12. Deferred Inflows of Resources

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

13. Governmental Fund Balance

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

- **Nonspendable.** Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- **Restricted.** Balances that are restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed.** Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the city, this formal

action takes the form of statutes which are passed by the City Council and approved by the Mayor.

- **Assigned.** Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned.** Residual balances that are not constrained in the other classifications.

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

The detail of the governmental funds committed and assigned fund balances at December 31, 2014 are shown below:

Fund Balance	General Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>			
Interfund loans receivable	\$ 713,084	\$ 1,628,967	\$ 2,342,051
Inventories	-	1,048,975	1,048,975
Total Nonspendable Fund Balance	713,084	2,677,942	3,391,026
<i>Restricted for:</i>			
Capital projects	-	24,577,094	24,577,094
Debt service	-	6,592,113	6,592,113
Grants	643,384	41,360,532	42,003,916
Police/firefighters' pension	-	554,020	554,020
Other	-	72,751	72,751
Total Restricted Fund Balance	643,384	73,156,510	73,799,894
<i>Committed for:</i>			
Contingency reserve	14,383,941	-	14,383,941
Revenue stabilization	755,131	-	755,131
City facilities	-	127,520	127,520
Communication	-	5,098,876	5,098,876
Transportation	84,357	4,309,890	4,394,247
Public safety	-	3,928,669	3,928,669
Culture and recreation	-	5,347,345	5,347,345
Community development	-	-	-
Benefits	-	22,522	22,522
Total Committed Fund Balance	15,223,429	18,834,822	34,058,251

Fund Balance	General Fund	Nonmajor Governmental Funds	Total
<i>Assigned for:</i>			
Library capital replacement	614,812	-	614,812
Human Services	-	1,074,957	1,074,957
Law enforcement	-	203,269	203,269
Fire protection	2,190,077		2,190,077
Encumbrances	1,638,852	5,761,605	7,400,457
Code enforcement	160,146	-	160,146
City facilities/improvement	111,330	-	111,330
Other purposes	(198,288)	(5,761,605)	(5,959,893)
Total Assigned Fund Balance	4,516,930	1,278,226	5,795,156
<i>Unassigned:</i>	17,991,827	-	17,991,827
Total	\$ 39,088,654	\$ 95,947,500	\$ 135,036,154

Fund balance has been restated as follows:

	Fund Balance (Deficit) at 12/31/13	Fund Reclassification	Fund Balance as restated 01/01/14
Governmental Funds			
General Fund	\$ 35,618,001	\$ (44,764)	\$ 35,573,237
Special Revenue Funds	74,932,124	(4,882)	74,927,242
Debt Service Funds	6,115,121	(862)	6,114,259
Capital Projects Funds	26,229,022	(61,764)	26,167,258
Proprietary Funds			
Enterprise Funds	735,224,729	86,366	735,311,095
Internal Service Funds	59,414,562	18,637	59,433,199
Fiduciary Funds			
Agency Funds	2,350,803	7,269	2,358,072
Total	\$ 939,884,362	\$ -	\$ 939,884,362

¹Fund balance has been restated as a result of a change in accounting principle. During 2014, the City's method of allocating investment earnings to the funds participating in the Spokane Investment Pool changed. Investment earnings are generally allocated to City funds based on the State's LGIP (Local Government Investment Pool) rate plus 25 basis points. This rate is based upon overnight availability of investment funds and no pass-through of changes in market value. For certain funds with distinct fiduciary standing, full investment earnings, together with proportionate changes in the fair market value of investment securities, are passed through. All investment earnings not allocated to other funds, including changes in fair market value, are reflected in the City's General Fund, which primarily bears the risk and reward of the investment pool's performance.

14. Budgetary Reserves/Control

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

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

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

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

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

1. Revenue shortfall results from revenue collections considered to be materially short of the amount budgeted, or the revenue

shortfall results from projected baseline (existing) budgeted revenues for any ensuing year increasing by less than the assumed long-term revenue growth rate in the City's six-year general fund projection for the immediate year; and

2. The revenue shortfall is expected to persist through the end of the fiscal year; and
3. The revenue shortfall is reasonably expected to persist for a period no longer than three years. A revenue shortfall expected to persist beyond three years shall be directly addressed in the current annual budget process through long-term budget measures.

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

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

15. Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations which have not yet been fulfilled, cancelled, or discharged. Of the \$14.2 million in outstanding encumbrances at December 31, \$7.4 million were carried forward to the subsequent budget year as follows, and have been classified as assigned fund balance as follows:

Encumbrances	Amount
General Fund	\$ 1,638,852
Other Governmental Funds	5,761,605
Total	\$ 7,400,457

F. Other Significant Accounting Policies

Budgeting, Accounting and Reporting System (BARS)

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

Note 2

Cash and Investments

A. Deposits and Investments for the City of Spokane

The City has the authority to invest in both pooled investments (Treasurer's Cash Investments) and fund investments. The Chief Financial Officer has the authority to determine the availability of funds for both pooled and fund investments and takes into consideration such needs as requests of individual fund managers, current cash needs, and asset/liability matching necessary to optimize interest earnings. Interest earnings on Treasurer's Cash Investments are credited to the General Fund.

Deposits

At year end the carrying amount of the City's deposits (cash) was \$481.2 million. These deposits consisted of bank savings and checking accounts, and investments held by financial institutions. All of these deposits are entirely insured by pledged collateral on deposit with the Washington State Public Deposit Protection Commission. Effective October 3, 2008, the basic limit on federal deposit insurance coverage was increased to \$250,000 per depositor.

Credit Risk

Credit risk is the risk that a debtor will not fulfill its obligations. All securities registered in the City's name carry a minimum rating of Aa2 / AA from Moody's and/or Standard and Poor's respectively.

Custodial Credit Risk

The Washington Public Deposit Protection Commission provides security for public treasurers by protecting public deposits which exceed the amount insured by the FDIC. Total deposits by a single treasurer may not exceed the depository's Washington proportional net worth. A public depository may accept public deposits in total not to exceed one and one-half times its Washington proportional net worth or thirty percent of total public funds on deposit statewide.

If a depository's public fund deposits exceed either of these limitations, it must collateralize excess deposits at one hundred percent. In addition, a depository must meet certain financial standards set by the Commission. Any public depository which does not comply with these financial standards is required to collateralize all of its public deposits at one hundred percent.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. According to its investment policy, the City manages its exposure to interest rate risk by "purchasing a combination of shorter-term and longer-term investments." The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

The weighted average maturity of the U.S. agency investments is 5.31 years.

Investments

As of December 31, 2014, the City of Spokane had the following investments:

Investment Type	Amount
U.S. government agencies (book value)	\$ 396,640,781
Local improvement district progress payments	527,011
Property acquisition fund bonds	15,948,818
Consolidated local improvement district bonds	2,619,541
Total	\$ 415,736,151

Progress warrants are issued in payment for construction projects for the City's local improvement districts. The warrants are interest bearing and are redeemed once long term bonds are issued following completion of the projects. All warrants are claims and liens against the property acquisition fund.

B. Deposits and Investments for the Spokane Employees' Retirement System (SERS)

Deposits

The Federal Deposit Insurance Corporation (FDIC) insures the cash deposits up to \$250,000 per member of the System. As provided by State of Washington RCW 43.84, the Washington Public Deposit Protection Commission (PDPC) collateralizes deposits in excess of \$100,000.

Deposit Type	Value
Cash held by Treasurer	\$ 139,376
Short term investments	2,382,582
Balance, December 31, 2014	\$ 2,521,958

Investments

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

Investments of the pension trust funds are reported at fair market value. The Board of Administration maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with investment managers, a custodian, an actuarial firm, and an independent investment consultant. Investment manager contracts include specific guidelines regarding the investments under management. The independent investment

consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board. The SERS' chief investment officer (CIO), who also serves as the Retirement Director, monitors the fund on a regular basis.

In 2007, the Board approved a new asset allocation, which includes an allocation to alternative investments. Funding of these limited partnerships began in late 2007 and continued into 2014. The term "alternative investments" encompasses a broad category of nontraditional investments. Each alternative investment that SERS enters into has been carefully studied by the System's independent investment consultant and has been reviewed by staff and the Board. The asset allocation study that was modeled by the independent consultant demonstrated that alternative assets can add value to the portfolio over time through diversification and higher expected returns. The CIO and Board believe that the use of alternative investments increases the expected return of the plan compared to investing only in traditional asset classes.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. This risk is mitigated by setting criteria for fixed income managers' portfolios and monitoring the credit quality ratings of its fixed income relative to the established criteria. SERS' fixed income assets are invested in four mutual funds. The fair market value of the mutual funds is \$46.1 million as of December 31, 2014.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution or bank failure, the System would not be able to recover the value of its deposits and investments that are in the possession of an outside party. Under Governmental Accounting Standard No. 40, Deposit and Investment Risk Disclosures guidelines, the System does not have exposure to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. The System does not have any investments from a single issuer (excluding investments in government fixed income securities) that represent more than 5% of the System's net assets.

Interest Rate Risk

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's fixed income portfolio is professionally managed with an expected range of interest rate risk within the portfolio. In addition, the portfolio is closely monitored by the independent consultant. The following table shows the System's fixed income assets by investment type, market value and average effective maturity as of December 31, 2014. The portfolio contains additional investments of \$240 million for a total portfolio of \$286 million.

Investment Type	Total Market Value	Average Effective Maturity			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Mutual funds					
Vanguard Short Term	\$ 12,302,053	\$ -	\$ 12,302,053	\$ -	\$ -
American Beacon Flexible	\$ 9,944,167	-	9,944,167	-	-
PIMCO Global	\$ 13,082,318	-	-	13,082,341	-
Metropolitan West	\$ 10,798,257	-	-	10,798,257	-
Total	\$ 46,126,795	\$ -	\$ 22,246,220	\$ 23,880,598	\$ -
Percentage	100.0%	0.0%	48.2%	51.8%	0.0%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At December 31, 2014, 17.1% of the System's portfolio is invested in international mutual funds and a limited partnership fund of funds, which primarily consist of foreign equities. The fair market value of the foreign funds is \$48.4 million as of December 31, 2014. Additionally, SERS has

\$13.1 million invested in an international/global fixed income mutual fund, of which 50.7% is foreign issuances at December 31, 2014. SERS does not directly hedge foreign currency risk; however, the System considers foreign currency risk during the selection and monitoring process of fund managers with exposure to foreign currencies.

C. Deposits and Investments for the Spokane Firefighters' Trust Fund

Schedule of Credit Risk

Investment Type	Investment Type					BB
	Total Market Value	AAA	AA	A	BBB	
U.S. government treasuries	\$ 6,337,931	\$ -	\$ 6,337,931	\$ -	\$ -	\$ -
U.S. government agencies	-	-	-	-	-	-
Mortgage backed governmental passthrough	4,718,170	388,529	4,329,641	-	-	-
Governmental CMOs	2,620,748	-	2,620,748	-	-	-
Corporate notes and bonds	8,931,161	-	767,746	5,166,533	2,775,828	221,054
Asset backed securities	1,219,284	-	823,830	395,454	-	-
Total	\$ 23,827,294	\$ 388,529	\$ 14,879,896	\$ 5,561,988	\$ 2,775,828	\$ 221,054
Percentage of Fixed Income Portfolio		1.6%	62.4%	23.3%	11.6%	0.9%

Schedule of Interest Rate Risk

Investment Type	Total Market Value	Maturity			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government treasuries	\$ 6,337,931	\$ -	\$ 4,874,951	\$ 1,462,980	\$ -
U.S. government agencies	-	-	-	-	-
Mortgage backed governmental passthrough	4,718,170	337,662	997,944	3,093,161	289,403
Governmental CMOs	2,620,748	275,388	-	1,729,844	615,516
Corporate notes and bonds	8,931,161	510,758	8,143,894	276,510	-
Asset backed securities	1,219,284	-	-	1,219,284	-
Total	\$ 23,827,294	\$ 1,123,808	\$ 14,016,789	\$ 7,781,779	\$ 904,919
Percentage of Fixed Income Portfolio		4.7%	58.8%	32.7%	3.8%

Note 3

Property Taxes

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

The property tax timeline is as follows:

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

Property taxes are recorded as receivables and deferred inflows of resources when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The City's regular levy for 2014 was \$3.60 per \$1,000 on an assessed valuation of \$15,363 million, for a total regular levy of \$55.3 million. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Special levies approved by the voters are not subject to the limitations listed above. The following special levies exist:

- Emergency Medical Services
- General Obligation Bonds
- UTGO 2015 Bond

For 2014, the total levy for Emergency Medical Services was \$7.6 million (\$.50 per \$1,000 assessed valuation).

For 2014, the total levy for previously issued general obligation bonds is \$3.5 million (\$.2397 per \$1,000 assessed valuation).

In January 2015, the City issued \$60 million in unlimited tax general obligation bonds (UTGO Series 2015). The bonds, which were approved by the voters on November 04, 2014, are being used to finance improvements to Riverfront Park and the Parks system. The total levy for the UTGO 2015 bond was \$1.6 million (\$.1104 per \$1,000 assessed valuation).

See additional information in Schedule 6 of the statistical section.

Note 4

Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Capital Assets	Jan 01, 2014 Beginning Balance	Increases	Decreases	Dec 31, 2014 Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 836,406,143	\$ -	\$ (47,000)	\$ 836,359,143
Construction in progress	31,824,371	-	(1,689,421)	30,134,950
Total capital assets, not being depreciated	868,230,514			866,494,093
Capital assets, being depreciated:				
Buildings	87,265,803	54,822	(15,398)	87,305,227
Accumulated depreciation	(36,529,596)	(2,140,212)	(23,644)	(38,693,452)
Net buildings	50,736,207			48,611,775
Other improvements	81,687,662	1,682,695	(8,420)	83,361,937
Accumulated depreciation	(26,427,734)	(5,145,592)	6,937	(31,566,389)
Net other improvements	55,259,928			51,795,548
Machinery and equipment ¹	96,541,859	5,735,540	(5,445,340)	96,832,059
Accumulated depreciation	(61,769,032)	(6,145,474)	3,796,463	(64,118,043)
Net machinery and equipment	34,772,827			32,714,016
Infrastructure	1,000,574,384	27,780,932	(7,483,649)	1,020,871,667
Accumulated depreciation	(460,400,597)	(22,634,613)	4,027,056	(479,008,154)
Net infrastructure	540,173,787			541,863,513
Total Capital assets, being depreciated (net)	680,942,749			674,984,852
Governmental Activities, Capital Assets (net)	\$ 1,549,173,263			\$ 1,541,478,945

Capital Assets	Jan 01, 2014 Beginning Balance	Increases	Decreases	Dec 31, 2014 Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,651,216	\$ 89,221	\$ (510,437)	\$ 14,230,000
Construction in progress	59,952,043	41,902,534	(51,260,182)	50,594,395
Total capital assets, not being depreciated	74,603,259			64,824,395
Capital assets, being depreciated:				
Buildings	291,352,150	1,583,379	(8,248,098)	284,687,431
Accumulated depreciation	(174,045,315)	(9,079,880)	6,350,424	(176,774,771)
Net buildings	117,306,835			107,912,660
Other improvements	73,867,356	24,660,428	(1,376,320)	97,151,464
Accumulated depreciation	(31,748,321)	(5,335,489)	913,940	(36,169,870)
Net other improvements	42,119,035			60,981,594
Machinery and equipment	155,977,932	3,440,163	(10,638,911)	148,779,184
Accumulated depreciation	(84,339,575)	(9,311,569)	10,111,834	(83,539,310)
Net machinery and equipment	71,638,357			65,239,874
Infrastructure	453,533,190	34,517,073	(288,636)	487,761,627
Accumulated depreciation	(146,925,914)	(7,398,553)	(8,152)	(154,332,619)
Net infrastructure	306,607,276			333,429,008
Intangible assets	113,766		-	113,766
Accumulated amortization	(72,810)	-	(2,276)	(75,086)
Net intangible assets	40,956			38,680
Total Capital assets, being depreciated (net)	537,712,459			567,601,816
Business-Type Activities, Capital Assets (net)	\$ 612,315,718			\$ 632,426,211
DEPRECIATION				
Governmental Activities:				
General government				\$ 948,816
Judicial				143,863
Public safety				4,442,581
Utilities environment				-
Transportation				24,166,847
Economic environment				710,943
Mental and physical health				-
Culture and recreation				5,594,440
Total Depreciation Expense - Governmental Activities				36,007,491
Business-Type Activities:				
Water/Sewer				\$ 19,185,012
Solid Waste				11,207,633
Other				917,963
Total Depreciation Expense - Business-Type Activities				31,310,608

Note 5

PENSION PLANS

A. GENERAL

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

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

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

Basis of Accounting

Pension plans administered by the City are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized when incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

With the December 31, 2014 reporting, the City adopted new accounting guidance, GASB Statement 67, *Financial Reporting for Pension Plans*, which is amendment of GASB Statements 25 and 50. Significant changes include a change in the actuarial calculation of total and net pension liability, as well as additional disclosure regarding the pension liability and the sensitivity of the net pension liability to the discount rate.

The methods and assumptions used are described in the publicly available actuarial reports for the three pension plans administered by the City of Spokane.

Additionally, the separately audited financial statements for SERS as well as the non-audited financial statements for the Firefighters' Pension Plan, both of which implemented the provisions of GASB 67, may be obtained by writing to the Retirement Department, City Hall, 808 West Spokane Falls Blvd, Suite 604, Spokane, Washington, 99201, or by calling (509) 625-6330.

The pension financial statements were prepared using the accrual basis of accounting. Employee and employer contributions, if required, are recorded as income in the period in which payroll is due and expenses are recorded when the corresponding liabilities are incurred. Interest income is recognized when earned.

Investments

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

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

No investments were made in loans to or leases with any Spokane Employees' Retirement System official, government employer official, or party related to a Spokane Employees' Retirement System official.

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

The investments of the Firefighters' Pension System are governed by the "prudent person rule." The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the Plan.

Additional plan information is included in Note 6, including: plan descriptions, funding policies, employer contributions required and paid, schedules of funded status and funding progress, defined benefit pension plan valuations, annual pension cost, trend data, information related to changes in actuarial assumptions and methods,

changes in benefit provisions, details on plan net assets, and changes in plan net assets.

plans (Employees' Retirement System, Firefighters' Pension Plan and Police Pension Plan) is as follows:

Membership of each City administered plan as of the December 31, 2014 actuarial valuation for all

Plans Administered by the City	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled To But Not Yet Receiving Benefits	Active Plan Members	Total Members
Employees' Retirement System	1,243	105	1,407	2,755
Firefighters' Pension System	285	-	2	287
Police Pension System	223	-	2	225
Total	1,751	105	1,411	3,267

B. PLAN DESCRIPTIONS

Spokane Employees' Retirement System

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

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

All permanent employees of the City, including employees of the Plan, are eligible to belong to SERS with the exception of police and firefighters who are members of the Washington State Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

SERS provides retirement, death, and disability benefits. All employees hired on or before December 31, 2008 who participate in SERS are eligible for service retirement after completing five years of service if they are age 50 or older. Their retirement benefits are calculated by multiplying 2.15% times the member's highest consecutive two-year average salary times the member's years

of creditable service, not to exceed 64.5%. All employees hired on or after January 1, 2009 who participate in SERS are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 75 before they can draw a pension. Their retirement benefits are calculated by multiplying 2.0% of the member's highest consecutive two-year average salary times the member's years of creditable service, not to exceed 70.0%. Employees hired prior to January 1, 2009, have a choice at retirement of choosing a 2.15% multiplier with a service cap of 30 years or a 2.0% multiplier with a service cap of 35 years. In addition, the normal retirement age for the Plan is 62. For either group, benefits may be reduced according to the retirement annuity option selected.

Firefighters' Pension Plan

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

The plan provides retirement and medical benefits to all firefighters who were hired prior to March 1, 1970 (Pre-LEOFF officers). Firefighters hired on or after March 1, 1970 but before October 1, 1977, (LEOFF 1 officers) receive their pensions from the State of Washington and medical coverage from the City of Spokane. Firefighters hired after October 1, 1977 (LEOFF 2 officers) are not covered by these plans. According to RCW 41.26.090 "Any member having five or more service credit years and having attained the age of

fifty years shall be eligible for a service retirement allowance and shall be retired upon the member's written request effective the first day following the date upon which the member is separated from service."

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

There are 2 active firefighters and 285 retiree firefighters and their beneficiaries receiving benefits as of December 31, 2014, the date of the last actuarial valuation.

Police Pension System

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

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

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

There are 2 active police and 223 retiree police and their beneficiaries receiving benefits as of December 31, 2014, the date of the last actuarial valuation.

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

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July

24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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

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

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

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted

(based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

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

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

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

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

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members

killed in the course of employment include the payment of eligible health care insurance premiums.

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

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013.

LEOFF	Total Members
Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Members Entitled To But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Active Plan Members NonVested	1,600
Total	29,640

C. FUNDING POLICIES

The tables at the end of this section provide the required contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of December 31, 2014.

At year end, the Employees' Retirement System had unfunded commitments of \$5.0 million to four limited partnership real estate funds and one limited liability company's royalties investment fund.

Employees' Retirement System

Member and employer contribution rates are established by SMC Chapter 4.14. The funding of SERS is currently based on the entry age normal method. SERS funding objective is to achieve and maintain an actuarial liability funded status between

90% and 110%. Member contributions are 8.25% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 8.25% of eligible compensation for a combined total of 16.50%. It is contemplated that the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth. Combined contributions from employees and the employer were \$13.6 million in 2014 and \$13.4 million in 2013.

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

Firefighters' Pension System

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

The plan is partially funded with \$27.9 million in total net assets.

Police Pension System

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

All benefits are funded on a pay-as-you-go basis.

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

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation

is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute

in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Actual Contribution Rates	Employer	Employee	State
Employees' Retirement System ^{1 & 2}	7.92%	7.92%	N/A
Firefighters' Pension System	0.16%	0.00%	N/A
Police Pension System	0.16%	0.00%	N/A
LEOFF 1 ³	0.18%	0.00%	N/A
LEOFF 2 ³	5.23%	8.41%	3.36%
¹ The annual required contribution was developed to equal actual employer contributions, if possible. If not, the maximum allowable amortization period is used. Because the contribution rates are fixed, the effective amortization period for the unfunded accrued liability will change over time as actual experience emerges that is different from the actuarial assumptions. ² Effective September 1, 2014 the contribution rate changed from 7.75% to 8.25%. The blended rate for the year ended December 31, 2014 is 7.92%. ³ The employer rate includes the employer administrative expense fee currently set at 0.18%.			

D. EMPLOYER CONTRIBUTIONS PAID

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

Actual Contributions	2014	2013	2012
Employees' Retirement System	6,822,279	6,715,376	6,937,750
Firefighters' Pension System	1,515,765	2,183,389	439,804
Police Pension System	837,804	845,079	869,885
LEOFF 1	1,294	1,304	1,853
LEOFF 2	3,048,949	2,740,733	2,717,510

E. FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of the most recent actuarial valuation date (December 31, 2014 for all Plans) is as follows:

Pension Funding Status (in thousands)	Employees' Retirement System ¹	Firefighters' Pension System	Police Pension System
Actuarial value of plan assets	\$ 276,003	\$ 13,920	\$ 613
Actuarial accrued liability (AAL)	398,058	21,433	9,952
Unfunded actuarial accrued liability (UAAL)	122,055	7,513	9,339
Funded ratio	69%	65%	6%
Covered payroll	89,035	N/A	N/A
UAAL as a percentage of covered payroll	137%	N/A	N/A

¹ The SERS Board can grant an ad-hoc performance adjustment under the following conditions: (1) if the actuarial accrued liability (AAL) funded ratio is more than 90%; (2) if the AAL associated with the ad-hoc increase does not cause the AAL funded ratio to drop below 90%; and (3) the combined employer and employee contribution rates are sufficient to fund the unfunded accrued liabilities as increased by the cost of the ad-hoc adjustment over a period not to exceed the maximum allowable GASB amortization period (currently 30 years). Further information can be found in City of Spokane Municipal Code 03.05.160.

Defined Benefit Plans Administered by the City

Employees' Retirement System

As of December 31, 2014, the actuarial liability funded ratio is 69.3%, an increase from 68.7% as of December 31, 2013. The funded ratio is the ratio of the actuarial value of assets to the actuarial liability. The actuarial value of assets recognizes market gains and losses over a period of five years. The 2014 increase in the funded status is primarily attributable to investment returns exceeding the assumed rate of return over the five year smoothing period. Additionally, the increased employee and employer contribution rates are expected to decrease future funding shortfalls. For historical information on the funded ratio and other actuarial funding data, refer to the Schedule of Funding Progress in the Required Supplemental Information that follows the notes to the financial statements.

Police Pension System

For the Police Pension System, the actuary presents a cash flow projection.

Firefighters' Pension System

As of December 31, 2014, the actuarial liability pension funded status ratio is 65%. Refer to the Schedule of Funding Progress, which follows the notes to the financial statements, in the Required Supplemental Information historical information on the funded ratio and other actuarial funding data.

For the Firefighters' Pension System, both a cash flow projection and an actuarial funding plan to liquidate any unfunded liabilities are presented by the actuary.

The information was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows:

	Employees' Retirement System	Firefighters' Pension System	Police Pension System
Valuation date	12/31/2014	12/31/2014	12/31/2014
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level % of pay over not more than 30 years	30-year, closed as of January 1, 2007	30-year, closed as of January 1, 2007
Remaining amortization years (closed)		23	23
Asset valuation method	Expected value method with 5-year smoothing and 90-110% market value corridor	Fair market value	Fair market value
Actuarial assumptions			
Investment rate of return	7.5%	4.0%	3.0%
Projected salary increases	0.0-10.0% ¹	N/A	N/A
Inflation	3.0%	2.5%	2.5%
Cost of living adjustments		Based upon 3.5% increase assumption when appropriate, for FPF benefits.	Based upon 3.5% increase assumption when appropriate, for PPF benefits.
	0.0%	Based upon inflation assumption for some FPF benefits and all LEOFF benefits.	Based upon inflation assumption for some PPF benefits and all LEOFF benefits.
¹ 0% for members with more than 5 years of services in years 2013, 2014 and 2015. Otherwise, ranges from 3.0% for employees with 16 or more years of service to 10.0% for employees with less than three years of service			

F. ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Current year annual pension cost, net pension obligation (NPO), and related information for the current year for City's defined benefit plans are as follows:

Annual Pension Cost and Net Pension Obligation	Employees' Retirement System	Firefighters' Pension System	Police Pension System
Annual required contribution	\$ 8,292,066	\$ 864,697	\$ 586,637
Interest on NPO	-	(801)	54,199
Adjustment to annual required contribution	495,755	1,297	(106,668)
Annual pension cost	8,787,821	865,193	534,168
Employer contributions	(6,822,279)	(1,515,765)	(837,804)
Increase (Decrease) in NPO	1,965,542	(650,572)	(303,636)
NPO - beginning of year	21,293,296	(20,037)	1,806,632
NPO - end of year	\$ 23,258,838	\$ (670,609)	\$ 1,502,996

G. THREE YEAR HISTORICAL TREND

The following table presents three-year trend information for the City's single employer defined benefit plans:

Single Employer Plans	2014	2013	2012
Employees' Retirement System			
Annual pension cost	\$ 8,787,821	\$ 8,687,164	\$ 8,733,963
% of APC contributed	77.6%	77.3%	79.4%
NPO	\$ 23,258,838	\$ 21,293,296	\$ 19,321,508
Firefighters' Pension System			
Annual pension cost	\$ 865,193	\$ 834,038	\$ 1,058,312
% of APC contributed	175.2%	261.8%	41.6%
NPO	\$ (670,609)	\$ (20,037)	\$ 1,329,314
Police Pension System			
Annual pension cost	\$ 534,168	\$ 528,618	\$ 684,544
% of APC contributed	156.8%	159.9%	127.1%
NPO	\$ 1,502,996	\$ 1,806,632	\$ 2,123,093

H. CHANGES IN BENEFIT PROVISIONS

There were no changes in benefit provisions for the fiscal year 2014 reporting period. All employees hired on or after January 1, 2015 who participate in SERS are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 80 before they can draw a pension. Their retirement benefits are calculated by multiplying 2.0% of the member's highest consecutive three-year average salary times the member's years of creditable service, not to exceed 70.0%. The normal retirement age for these employees is 65, and vesting occurs after seven years or employment.

Note 6

Other Post-Employment Benefits

To comply with accrual accounting standards, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be recognized during the period in which the cost occurs rather than in the future year when the benefit will be paid. In adopting the requirements of GASB Statement 45 during the year ended December 31, 2007, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2007 liability.

Plan Description

The Firefighters' and Police Pension Systems are single-employer defined benefit funds established and administered by the City in accordance with the requirements of the Revised Code of Washington. The other post-employment benefit (OPEB) plans are accounted for in these funds.

The Police and Fire other post-employment benefit plans provide medical benefits to all firefighters and uniformed police who were hired prior to March 1, 1970. Police and firefighters hired on or after March 1, 1970, but before October 1, 1977, receive their pensions from the State of Washington and medical coverage from

the City of Spokane. Police and firefighters hired after October 1, 1977, are not covered by these plans.

Both plans provide death, disability and medical benefits. As of the most recent actuarial valuation date, December 31, 2014, there are 2 active police officers and 2 active firefighters covered under these plans. In addition, there are 180 police and 229 firefighter retirees and beneficiaries receiving other post-employment benefits from the two plans.

The City is responsible for the medical expenses for active and retired employees covered under these plans. For the Police OPEB Plan, all benefits are funded on a pay-as-you-go basis. The Firefighters' OPEB Plan is funded in part with \$14.0 million of net assets.

Funding Policy

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

The Schedule of Funding Progress, which follows the notes to the financial statements, in the Required Supplemental Information shows historical information on the funded ratio and other actuarial funding data for these plans.

Funded Status (in thousands)	Firefighters' OPEB	Police OPEB
Actuarial valuation date	12/31/2014	12/31/2014
Actuarial value of plan assets	\$ 13,998	\$ -
Actuarial accrued liability (AAL)	54,093	62,745
Unfunded actuarial accrued liability (UAAL)	40,095	62,745
Funded ratio	26%	0%
Covered payroll	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A

Annual Required Contribution

Firefighters' Pension System		2014	2013	2012
1	Annual normal cost, beginning of year	\$ 80,932	\$ 80,932	\$ 172,224
2	Amortization of UAAL, beginning of year	3,166,015	3,166,015	4,643,319
3	Interest through end of year = ((1+2)*i)	129,878	129,878	240,777
4	Annual required contribution = (1+2+3)	3,376,825	3,376,825	5,056,320
5	Interest on net OPEB obligation	-	-	2,175
6	Adjustment to annual required contribution	-	-	(2,939)
7	Annual OPEB cost = (4+5-6)	3,376,825	3,376,825	5,055,556
8	Employer contributions	(3,376,825)	(3,376,825)	(5,099,046)
9	Change in net OPEB obligation = (7+8)	-	-	(43,490)
10	Net OPEB obligation at beginning of year	-	-	43,490
11	Net OPEB obligation at end of year = (9+10)	-	-	-
12	Percentage funded = (8/7)	100%	100%	101%

Police Pension System		2014	2013	2012
1	Annual normal cost, beginning of year	\$ 56,649	\$ 56,649	\$ 171,760
2	Amortization of UAAL, beginning of year	4,196,207	4,196,207	5,478,797
3	Interest through end of year = ((1+2)*i)	127,586	127,586	226,022
4	Annual required contribution = (1+2+3)	4,380,442	4,380,442	5,876,579
5	Interest on net OPEB obligation	363,708	315,814	305,026
6	Adjustment to annual required contribution	(715,809)	(603,495)	(469,359)
7	Annual OPEB cost = (4+5-6)	4,028,341	4,092,761	5,712,246
8	Employer contributions	(3,040,948)	(2,496,290)	(2,810,780)
9	Change in net OPEB obligation = (7+8)	987,393	1,596,471	2,901,466
10	Net OPEB obligation at beginning of year	12,123,596	10,527,125	7,625,659
11	Net OPEB obligation at end of year = (9+10)	13,110,989	12,123,596	10,527,125
12	Percentage funded = (8/7)	75%	61%	49%

Actuarial Information and Significant Actuarial Assumptions

The actuarial assumptions are intended to estimate the future experience of the members of the above mentioned plans.

	Firefighters' OPEB	Police OPEB
Valuation date	12/31/2014	12/31/2014
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	30 year, closed as January 1, 2007	30 year, closed as January 1, 2007
Remaining amortization years (closed)	23	23
Asset valuation method	Fair market value	Fair market value
Actuarial assumptions		
Investment rate of return	4.0%	3.0%

Note 7

Risk Management

The City is self-insured for Unemployment Insurance, Workers' Compensation, General Liability, and Medical/Dental benefits. Unrestricted net position (assets less liabilities) in the self-insurance funds as of December 31, 2014 and 2013 are as follows:

Fund	2014	2013
Risk Management	\$ 2,298,333	\$ 516,488
Workers' Compensation	4,175,918	1,926,484
Unemployment Insurance	884,291	903,949
Employee Benefits	16,405,196	13,952,504
	\$ 23,763,738	\$ 17,299,425

The City carries the following excess insurance coverages.

Workers' Compensation

The City carries statutory limits for excess Workers' Compensation insurance above its self-insured retention of \$1,000,000.

General and Automobile Liability

The City carries \$10 million excess general and automobile liability insurance above its self-insured retention of \$1,000,000.

Property/Boiler and Machinery

The City carries \$100 million loss limit for all risk property insurance and carries boiler and machinery insurance, with a deductible of \$10,000, and coverage up to \$100 million loss limits. The City also carries property coverage for its hydro dam in the amount of \$100 million, with a \$1 million self-insured retention, and property coverage of the Riverside Park Water Reclamation Facility in the amount of \$246.2 million, with a \$1 million self-insured retention. In addition, the hydro dam and the Riverside Park Water Reclamation Facility have boiler and machinery coverage up to \$1 million, with a \$100,000 deductible, under the City's Boiler and Machinery policy.

Claims Liability Valuation

In 2014 the City conducted an actuarial review to determine the estimated claims liability for the Risk Management and Workers' Compensation funds. The estimated loss reserves for the Risk Management fund totaled \$6.8 million and the Workers' Compensation fund totaled \$7.9 million. The Employee Benefits fund reported IBNR (incurred but not reported) claims of \$2.8 million for 2014. Starting in 2014, the City became self-insured for all medical plans. Claims expenses are recognized in the Employee Benefits and the Unemployment Insurance funds for claims processed through the fiscal year end. No IBNR claims are reported in the Unemployment Insurance Fund. All self-insured funds are responsible for collecting interfund premiums and for paying claims settlements. Interfund premiums are assessed on the basis of exposure and claims experience and are reported as revenues and expenses.

Changes in the balances of claims liabilities during the past two years are as follows:

Risk Management	2014	2013
Balance, January 1	\$ 3,254,797	\$ 4,875,423
New claims incurred	1,018,404	1,533,751
Adjustments for prior claims	904,783	(358,024)
Claims payable	(2,082,395)	(2,796,352)
Balance, December 31	\$ 3,095,589	\$ 3,254,798

Workers' Compensation	2014	2013
Balance, January 1	\$ 4,593,761	\$ 4,927,806
New claims incurred	1,465,977	1,704,828
Adjustments for prior claims	1,159,305	2,408,780
Claims payable	(3,614,306)	(4,447,653)
Balance, December 31	\$ 3,604,737	\$ 4,593,761

Note 8

Short-Term Debt

At December 31, 2014, the City had \$.5 million of local improvement district (LID) progress warrants outstanding. As construction is done on LID projects, progress warrants are issued to contractors. The city treasurer disburses funds to the contractors and carries the progress warrants as treasurer's cash investments. When special assessment bonds are sold, the progress warrants are redeemed. The current progress warrants have interest rates ranging from 3.15% to 4.665%. A summary of progress warrant activity for 2014 follows:

Progress Warrants	2014
Balance January 1	\$ 1,475,479
Progress warrants issued	574,968
Progress warrants redeemed	(1,523,436)
Balance December 31	\$ 527,011

Note 9

Long-Term Liabilities

A. Long Term Debt

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government.

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

General obligation bonds currently outstanding at December 31, 2014 are as follows:

Name of Issuance	Purpose	Interest Rate	Original Issue Amount	Debt Outstanding
LTGO 2003B ²	Street projects	2.00% - 5.25%	14,755,000	-
UTGO 2004 ¹	Street maintenance and road improvement/construction expenses for major arterials, public safety corridors, and residential street repair	3.00% - 5.25%	24,151,000	7,350,000
LTGO 2005A	Acquisition and construction of and improvements to Riverfront Park, including the Spokane Falls Gondola Sky Ride, construction of the Iron Bridge project, and refund LTGO 1999 bonds	5.00%	5,720,000	5,720,000
LTGO 2005B	Payment in full on an outstanding Taxable Bond Anticipation Note and other permitted costs associated with the settlement and litigation related to the Parking Facility	4.34% - 5.34%	25,625,000	17,410,000
UTGO 2005 ²	Refund UTGO 1999A bonds	3.00% - 4.00%	8,880,000	-
UTGO 2007 ¹	Street maintenance and road improvement/construction expenses for major arterials, public safety corridors, and residential street repair, Refund callable portions of the outstanding 1997 Refunded and 1999B Refunded bonds	4.00% - 5.00%	58,090,000	38,155,000
UTGO 2008	Finance the development, construction, or improvement of city park and recreational facilities at the Joe Albi Stadium site, and to fund one or more capital reserves to finance future capital improvements to facilities	3.50% - 5.00%	42,900,000	33,265,000

Name of Issuance	Purpose	Interest Rate	Original Issue Amount	Debt Outstanding
UTGO 2010A/B	Acquisition, construction, and installation of repairs and improvements to certain streets, including major arterials, public safety corridors, and residential streets; and helping pave unpaved city streets	2.00% - 5.713%	45,070,000	36,510,000
Total general obligation bonds			\$ 225,191,000	\$ 138,410,000
¹ In January 2015, the City issued \$60.0 million in UTGO (unlimited tax general obligation) 2015 Bonds, which were approved by the voters on November 04, 2014, and are being used to finance improvements to Riverfront Park and the Parks system. In February 2015, the City issued \$48.3 million in LTGO Refunding Bonds, Series 2015 that will refund all of the City's outstanding bonds for UTGO Bonds, Series 2004 and UTGO Refunding Bonds, Series 2007. No principal payments are required for either LTGO Refunding Bonds, Series 2015 or UTGO 2015 in 2015.				
² LTGO 2003B and UTGO 2005 was retired during 2014.				

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

Governmental Activities			
Year	Principal	Interest	Total
2015	7,200,000	6,626,863	13,826,863
2016	7,095,000	6,331,805	13,426,805
2017	7,415,000	6,036,662	13,451,662
2018	8,265,000	5,733,702	13,998,702
2019	8,570,000	5,376,792	13,946,792
2020-2024	61,290,000	19,717,662	81,007,662
2025-2029	32,909,595	6,312,367	39,221,963
2030-2034	5,211,691	291,949	5,503,640
Total	\$ 137,956,287	\$ 56,427,802	\$ 194,384,089

Business-Type Activities			
Year	Principal	Interest	Total
2015	-	45,188	45,188
2016	-	45,188	45,188
2017	-	45,188	45,188
2018	-	45,188	45,188
2019	-	45,188	45,188
2020-2024	-	225,940	225,940
2025-2029	300,405	208,442	508,846
2030-2033	153,309	15,208	168,516
Total	\$ 453,713	\$ 675,529	\$ 1,129,242

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

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
Public Works Trust Fund Loans	Various street improvements	.50% - 3.00%	\$ 966,890
State Community Development Loans	Various community development projects	0.00%	325,000
Public Works Trust Fund Loans	Various Water/Wastewater System improvements	.50% - 3.00%	6,511,556
State Revolving Loans	Various Water/Wastewater System improvements	1.50% - 2.90%	13,833,889
Total government and other loans			\$ 21,637,336

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

Governmental Activities			
Year	Principal	Interest	Total
2015	112,917	4,834	117,751
2016	112,917	4,270	117,187
2017	112,917	3,705	116,622
2018	112,917	3,141	116,058
2019	112,917	2,576	115,493
2020-2024	402,305	5,223	407,528
2025-2029	-	-	-
2030-2034	-	-	-
2035-2039	-	-	-
2040-2043	325,000	-	325,000
Total	\$ 1,291,890	\$ 23,748	\$ 1,315,639

Business-Type Activities			
Year	Principal	Interest	Total
2015	1,465,906	276,243	1,742,149
2016	1,476,017	374,234	1,850,251
2017	1,529,864	372,232	1,902,096
2018	1,396,133	344,127	1,740,260
2019	1,121,749	320,077	1,441,826
2020-2024	5,581,039	1,296,361	6,877,400
2025-2029	3,924,876	790,768	4,715,644
2030-2034	3,442,196	294,604	3,736,800
2035-2039	407,666	7,746	415,412
2040-2043	-	-	-
Total	\$ 20,345,446	\$ 4,076,392	\$ 24,421,838

At December 31, 2014, the City has \$6.7 million available in debt service funds to service the general bonded debt.

Special Assessment Bonds

Special assessment bonds outstanding at December 31, 2014 were \$480,000. Generally, the outstanding amount includes term bonds with an estimated amount of bonds to be retired each year. Bonds will be called yearly, as monies are available from the collection of property assessments.

Name of Issuance	Issue Date	Maturity	Interest Rate	Debt Outstanding	Due Within One Year
CLID 213	7/1/2004	7/1/2026	5.00%	160,000	14,545
CLID 214	8/15/2005	8/15/2015	4.376%	45,000	22,500
CLID 215	8/1/2006	8/1/2016	4.50%	90,000	30,000
CLID 216	8/15/2007	8/15/2017	4.60%	185,000	46,250
Total special assessment bonds				\$ 480,000	\$ 113,295

Revenue Bonds

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

In November 2014, the City of Spokane sold \$181,225,000 in Water Wastewater Utility revenue bonds to pay for a series of projects that are designed to improve the health of the Spokane River and to protect the aquifer that provides Spokane residents with their drinking water. The bonds were designated as "green" bonds because they will be used to pay for "green"

projects that provide environmental benefits. The work will improve water quality, protect water resources, and save energy, among other things.

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

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

Business-Type Activities			
Year	Principal	Interest	Total
2015	5,625,000	7,887,806	13,512,806
2016	5,920,000	7,628,527	13,548,527
2017	6,215,000	7,332,527	13,547,527
2018	6,530,000	7,021,777	13,551,777
2019	6,855,000	6,695,278	13,550,278
2020-2024	39,770,000	27,979,388	67,749,388
2025-2029	49,725,000	18,027,933	67,752,933
2030-2034	60,585,000	7,168,650	67,753,650
Total	\$ 181,225,000	\$ 89,741,886	\$ 270,966,886

B. Changes in Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

Long-Term Liabilities	Outstanding 01/01/14	Additions	Reductions	Outstanding 12/31/14	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds ¹	\$ 152,536,287	\$ -	\$ (14,580,000)	\$ 137,956,287	\$ 7,200,000
Deferred amounts:				-	
Bond premiums at issuance	3,660,002		(390,915)	3,269,087	390,475
Bond premiums on refunding	76,626	-	(32,287)	44,339	30,767
Special assessment debt with governmental commitment	640,000	-	(160,000)	480,000	113,295
Government loans	1,404,806	-	(112,916)	1,291,890	112,917
Kendall Yards Tendered Improvements ²	-	1,412,323	(28,939)	1,383,384	98,000
Claims and judgements	17,352,724	67,209	-	17,419,933	17,419,933
OPEB (other postemployment benefit) liability ³	12,123,596	987,393	-	13,110,989	-
Net pension obligation ⁴	-	25,627,027	-	25,627,027	-
Compensated absences - internal service	2,061,665		(179,615)	1,882,050	143,934
Compensated absences - governmental	12,948,342	2,576,089	-	15,524,431	1,227,139
Total long term liabilities - governmental activities	\$ 202,804,048	\$ 30,670,041	\$ (15,484,672)	\$ 217,989,417	\$ 26,736,460
¹ In January 2015, the City issued \$60.0 million in UTGO (unlimited tax general obligation) 2015 Bonds, which were approved by the voters on November 04, 2014, and are being used to finance improvements to Riverfront Park and the Parks system. In February 2015, the City issued \$48.3 million in LTGO Refunding Bonds, Series 2015 that will refund all of the City's outstanding bonds for UTGO Bonds, Series 2004 and UTGO Refunding Bonds, Series 2007. No principal payments are required for either LTGO Refunding Bonds, Series 2015 or UTGO 2015 in 2015.					
² See Note 13 for more information on the purchase and sale agreement.		³ Beginning balance restated		⁴ New in 2014; Not presented previously	
Long-Term Liabilities	Outstanding 01/01/14	Additions	Reductions	Outstanding 12/31/14	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General obligation bonds	453,713	-	-	453,713	-
Revenue bonds	-	181,225,000	-	181,225,000	5,625,000
Deferred amounts:					
Bond premiums at issuance	-	19,711,699	-	19,711,699	269,381
Bond premiums on refunding	-	-	-	-	-
Total bonds payable	453,713	200,936,699	-	201,390,412	5,894,381
Government loans	10,179,027	11,581,789	(1,415,371)	20,345,446	1,465,906
Landfill liabilities:					
Landfill closure	1,689,660	67,249	-	1,756,909	-
Post closure monitoring	11,168,520	636,177	(523,008)	11,281,689	-
Compensated absences	4,916,793	266,581	(313,977)	4,869,397	265,338
Total long term liabilities - business-type activities	\$ 28,407,713	\$ 213,488,494	\$ (2,252,356)	\$ 239,643,852	\$ 7,625,626

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$1.8

million of internal service funds compensated absences are included in the above amounts.

Legal Debt Margin

For purposes of determining the legal debt margin, the assessed valuation of the City for year 2014 is \$15,363 million. Under State of Washington statutes, general obligation indebtedness pursuant to a vote of the electorate is limited to 2.5% of actual value of taxable property located within the

City. Indebtedness without a vote of the people is limited to 1.5% of actual value subject to the limitation that total general purpose indebtedness may not exceed 2.5% of total valuation. There is a 2.5% limitation each for utility purposes and open space and park facilities purposes.

Legal Debt Margin	Total
General purpose voted and non-voted debt ¹	\$ 253,392,145
Utility voted debt - 2.5%	384,070,268
Open space and park facilities voted debt - 2.5%	285,283,352
Total remaining debt capacity	\$ 922,745,765
¹ Includes \$175.6 million debt capacity for non-voted debt	

C. Leases

Operating Leases

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

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

The City has the option of renewing the lease for four consecutive five-year periods subject to certain conditions. The lease ends April 30, 2018. Lease payments for the year ended December 31, 2014 amounted to \$136,755.

The City entered into long term lease contracts with Xerox Corporation for two printers and Copiers Northwest for copy machines. Lease payments for the year ended December 31, 2014 were \$191,495.

Future Years Lease Payments	Total
2015	324,015
2016	324,015
2017	324,015
2018	45,585
Total minimum future rental payments	\$ 1,017,630

Note 10

Interfund Balance and Transfers

A. Interfund Balances

Due to other funds and due from other funds result from goods issued, work performed or services rendered to or for the benefit of another fund of the

same government. Interfund balances at December 31, 2014 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 5,324,271	\$ 1,003,485
Special Projects Funds	1,943,664	2,072,683
Debt Service Funds	-	-
Capital Project Funds	1,307,704	454,880
Water/Sewer Fund	1,504,519	6,171,370
Solid Waste Fund	1,328,484	2,285,431
Other Enterprise Funds	249,405	224,762
Internal Service Funds	3,919,712	3,365,148
Fiduciary Funds	-	-
Total Government Wide	\$ 15,577,759	\$ 15,577,759

B. Interfund Loans

Interfund loans for 2014 are as follows:

Loan To:	Loan From:
Property Acquisition Fund²	Spokane Investment Pool¹
Riverfront Conservation Area	2,130,851
Gardner Building	1,477,940
Alki Building	2,284,100
University District Gateway	3,571,681
West Plains Fire Station	790,049
Public Safety Capital	5,694,196

Loan To:	Loan From:
Property Acquisition Fund²	Spokane Investment Pool¹
CLID 217	283,124
CLID 218	86,353
CLID 219	258,019
CLID 220	144,619
CLID 221	195,875
CLID 222	1,051,409
CLID 223	600,142
Progress Warrants (Note 8)	527,011
Less Agency Fund Portion	(72,054)
Total	\$ 19,023,315
¹ The Spokane Investment Pool is allowed to invest up to 15% of its balance in City of Spokane bonds. Loans from this pool provide funds with which to pay the cost of acquiring property for public purposes.	
² The City Council approved resolution 2014-0119 at its 12/15/14 meeting for a \$400,000 loan from the Spokane Investment Pool to the Property Acquisition Fund to finance the Division Gateway Project. As of May 28, 2015, this loan has not been funded.	

Loan To:	Loan From:
Various	General Fund¹
Misc Grant Fund	100,658
Law Enforcement Block Grant Fund	14,069
Human Services Grant Fund	878,825
Public Safety Grant Fund	112,433
Community Development / Human Services Operations Fund	300,000
Community Development Block Grant Fund	1,151,749
Misc Community Development Grants Fund	103,377
HOME Program Fund	15,000
Total	2,676,111
Loan To:	Loan From:
General Fund	Human Services Grant Fund
Total	47,805
Total	2,723,916
¹ Resolution 2014-0080 authorizes grant invoices to be paid out of the General Fund before requesting the grant funding from the grantor, and replenishing the General Fund within 30 days.	
² Resolution 2014-0120 authorizes the establishment of a working cash balance that is necessary to facilitate compliance with the federal grant requirements related to cash management.	

C. Interfund Transfers

Interfund transfers for 2014 are as follows:

Transfer From:		Transfer To:					
Fund	General Fund	Street Fund	Park Fund	Parking Meter Fund	Intermodal Facility Operation	Public Safety & Judicial Grants Fund	Community Development Block Grant Program Fund
General Fund	-	10,553,179	13,061,090	1,150,000	61,621	15,942	-
Street Fund	-	-	-	-	-	-	-
Traffic Calming Measures Fund	50,000	-	-	-	-	-	-
Park Fund	-	-	-	-	-	-	-
Parking Meter Fund	-	-	-	-	-	-	-
Paths and Trails Fund	-	-	-	-	-	-	-
Capital Improvement Fund	-	-	-	-	-	-	-
Real Estate Excise Tax Fund	-	400,000	-	-	-	-	-
CDBG Program Fund	-	-	-	-	-	-	-
Home Rehabilitation Fund	-	-	-	-	-	-	3,206
Special Assessment [Debt] Fund	-	-	-	-	-	-	-
Iron Bridge TIF Debt Service	-	-	-	-	-	-	-
University District Debt Service	-	-	-	-	-	-	-
Arterial Street Fund	-	1,300,000	-	-	-	-	-
Capital Improvement Bond Fund							
Capital Improvements 2004 Fund	-	-	-	-	-	-	-
Water/Sewer Fund	-	-	-	-	-	-	-
Solid Waste Fund	-	-	-	-	-	-	-
Golf Fund	-	-	-	-	-	-	-
Building Services Fund	-	-	-	-	-	-	-
Fleet Services Fund	-	2,575,000	-	-	-	-	-
Information Technology Fund ¹				256,860			
Accounting Services Fund	-	-	-	-	-	-	-
Risk Management Fund	-	-	-	-	-	-	-
Property Acquisition Fund	-	-	-	-	-	-	-
Total	50,000	14,828,179	13,061,090	1,406,860	61,621	15,942	3,206

Transfer From:							
Fund	GO Bond Redemption Fund	Special Assessment Debt Service	General Capital Improvements Fund	Arterial Street Fund	Information Technology Fund	Asset Management Fund ¹	Total
General Fund	983,474		32,980		-	1,409,615	27,267,901
Street Fund	5,235,632	7,905			-	-	5,243,537
Traffic Calming Measures Fund	-	-		-	-	-	50,000
Park Fund	100,000	21,543		-	-	-	121,543
Parking Meter Fund	2,249,004	-		-	-	12,500	2,261,504
Paths and Trails Fund	-	-		11,000	-	-	11,000
Capital Improvement Fund	-	-		-	-	16,955	16,955
Real Estate Excise Tax Fund	-	-		3,839,092	-	-	4,239,092
CDBG Program Fund	-	-		-	-	570,019	570,019
Home Rehabilitation Fund	-	-		-	-	-	3,206
Special Assessment [Debt] Fund	-	-		-	-	707,515	707,515
Iron Bridge TIF Debt Service	42,750	-		-	-	-	42,750
University District Debt Service	-	-		-	-	224,656	224,656
Arterial Street Fund	-	-		-	-	-	1,300,000
Capital Improvement Bond Fund	206						206
Capital Improvements 2004 Fund	-	-		-	-	1,151,053	1,151,053
Water/Sewer Fund	-	-		-	155,356	-	155,356
Solid Waste Fund	-	-		-	17,646	-	17,646
Golf Fund	22,691	-		-	-	-	22,691
Building Services Fund	-	-		-	7,225	-	7,225
Fleet Services Fund	7,545	-		-	-	-	2,582,545
Information Technology Fund ¹							256,860
Accounting Services Fund	-	-		-	28,679	-	28,679
Risk Management Fund	172	-		-	-	-	172
Property Acquisition Fund	-	-		-	2,658	-	2,658
Total	8,641,474	29,448	32,980	3,850,092	211,564	4,092,313	46,284,769

Note 11

Joint Ventures

The City participates in two joint ventures. These are the Spokane International Airport and the Spokane Regional Transportation Council (SRTC). The City does not contribute any monies toward the operation of the Spokane International Airport. General fund monies are contributed to support the Spokane Regional Transportation Council. In 2014, \$21,880 was paid to the Spokane Regional Transportation Council.

Spokane International Airport is jointly operated by the City and County of Spokane through a joint operating agreement in accordance with the "Airport Joint Operating Agreement"; which was last amended February 2, 2010. This agreement is pursuant to RCW 14.08.200. The unaudited summary below is for the fiscal year ended December 31, 2014 for the Spokane International Airport.

Spokane International Airport	2014
Total Assets	\$ 320,961,199
Total Liabilities	32,364,822
Total Net Position	\$ 288,596,377
Total Revenues	\$ 37,199,744
Total Capital Contributions	18,128,544
Total Expenses	40,774,645
Net Increase in Net Position	\$ 14,553,643
Net Position, Beginning of Year	\$ 274,042,734
Net Increase in Net Position	14,553,643
Net Position, End of Year	\$ 288,596,377

At December 31, 2014, the airport had \$10.6 million in long-term revenue bonds outstanding with \$3.0 million due on the current portion in 2015. The bonds are secured by airport revenues. Airport revenues are derived through user fees, parking fees, leased areas and buildings, federal and state grants, and interest from investments. Other long-term debt payable at year-end totaled \$6.8 million.

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

The Spokane Regional Transportation Council operates under an Interlocal Agreement adopted by participating entities that include the City of Spokane, Spokane County, Spokane Transit Authority (STA), the City of Spokane Valley, Washington State Department of Transportation (WSDOT), Washington State Transportation Commission, the Spokane Airport Board (SAB), and the incorporated towns within the County. In 1965 the Washington State Legislature created the current statutory authority that provided for coordinated regional planning within the State.

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

The unaudited summary below is for the fiscal year ended December 31, 2014. The Spokane Regional Transportation Council is audited by the Office of State Auditor.

Spokane Regional Transportation Council	2014
Total Assets	\$ 439,135
Total Liabilities	439,135
Total Net Position	\$ -
Total Revenues	\$ 1,400,966
Total Expenses	1,285,541
Net Increase in Net Position	\$ 115,425

At December 31, 2014 the Spokane Regional Transportation Council had no long-term debt outstanding. The complete financial report may be obtained by contacting the Spokane Regional Transportation Council, 221 W. First Ave., Suite 310, Spokane, WA, 99201.

Note 12

Enterprise Funds

A. Water/Sewer Fund

Property, Plant and Equipment

Some hydrants and some water mains are recorded at estimated costs.

Contracts Receivable and Due From Other Governmental Units

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

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

The City of Spokane and Fairchild Air Force Base entered into an agreement under which Fairchild Air Force Base agreed to pay \$3,000,000, in 1992 dollars, for sewage treatment capacity at the Riverside Park Water Reclamation Facility. Per the agreement, the City will process up to 1,000,000 gallons per day for Fairchild. Payments are revised annually and are anticipated to be collected in full by the end of the year 2015.

Spokane County Utility Tax Payments

In October 2003, Spokane County began withholding the portion of its wastewater bill it computed as representing municipal taxes. In November 2003, Spokane County commenced a

lawsuit to determine if the municipal taxes should be included as an expense in the calculation of the wastewater treatment rate for Spokane County. In January 2007, an agreement was reached in mediation between the City and Spokane County, which was approved by the Spokane City Council on April 30, 2007.

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

Water and Wastewater System Revenue Bonds (Green Bonds)

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

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

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

Payments on the bonds will be semi-annual, beginning June 2015.

B. Solid Waste Fund

Disposal of Operations

In 1988, an Interlocal Agreement between the City of Spokane and Spokane County was executed to form the Spokane Regional Solid Waste System (SRSWS), which was a department of the city. The SRSWS was responsible for developing a regional solid waste management system including the financing and construction of the Waste to Energy (WTE) Facility and the Spokane Valley and North

County transfer stations. In addition to operating the three facilities, the SRSWS was responsible for all statutory requirements under RCW 70.95 and RCW 70.105, which consists of providing regional planning, disposal services, recycling, moderate risk waste management, and waste reduction and recycling education and outreach.

On November 16, 2014, the 1988 Interlocal Agreement that formed the SRSWS terminated. On November 17, 2014, the Spokane Valley and North County transfers stations were sold to Spokane County for \$8.9 million. As a result of the transfer, the City of Spokane recognized a gain of \$5.6 million on the disposal of its transfer stations, which is reflected in the Propriety Funds *Statement of Revenues, Expenses, and Changes in Net Position* (Solid Waste Fund) as Gain (Loss) on Disposition of Fixed Assets.

The carrying value of those assets at the time of the disposal was as follows:

	Carrying Value
Transferred Assets (Net)	
Land	510,438
Buildings & improvements	2,360,056
Vehicles & equipment	462,952
Total Capital Assets	3,333,446
Transferred Liabilities	
Long term debt	-
Net Position of Transferred Assets	3,333,446

Prior to the disposal of the transfer stations, the City's 2014 expense related to its transfers stations was approximately \$5 million and revenues were approximately \$14 million, both of which were operating activities.

Establishment of the Solid Waste Fund

Also on November 17, 2014, a new Interlocal Agreement between Spokane County and the City of Spokane was executed whereby Spokane County would deliver all solid waste received at their newly acquired Spokane Valley and North County transfer stations to the City of Spokane WTE facility for final disposal until at least November 16, 2017.

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

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

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

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

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

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

Landfill Closure

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

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

customers. The deferred cost was fully amortized during 2007.

Northside Regional Landfill

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

The \$1.7 million reported as landfill closure liability at December 31, 2014 represents the cumulative amount reported based on the use of 63 percent of the estimated capacity of Phase 1. This landfill has a remaining useful life of approximately 11 years. The City will recognize the remaining estimated cost of closure of \$1 million as the remaining estimated capacity (Phase 1) is filled. All amounts recognized are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of December 31, 2014, the City held \$1.7 million of restricted cash, which is reserved for the closure of the Northside Regional Landfill (Phase 1).

Postclosure Landfill Monitoring

The \$11.3 million reported as landfill postclosure care liability at December 31, 2014 represents the cumulative amount required to monitor and maintain the closed portion of the Northside landfill, the open portion (Phase 1) of the Northside Regional landfill and the closed Southside landfill for the next 20-30 years. All amounts recognized are based on what it would cost to perform all postclosure care in 2014. Actual costs may be

higher due to inflation, changes in technology, or changes in regulations.

The City has restricted \$5.3 million in assets related to the post-closure monitoring of the closed portion of the Northside landfill, and \$4.2 million for post-closure monitoring of the open portion of the Northside landfill. No assets have been restricted for future costs of \$ 1.8 million for the Southside landfill based on the City's interpretation of the applicability of Washington Administrative Code 173-304-467.

D. Golf Fund

Revenue Bond Covenants

In March of 1991 the City issued \$5.8 million of golf system revenue bonds. These were issued with an average interest rate of 7.1035%. These bonds were issued to finance the construction of a fourth municipal City golf course.

In March of 1997 the City issued \$3.38 million of golf system revenue refunding bonds to partially refund the 1991 bonds. These were issued with an average interest rate of 5.25%. The unrefunded 1991 Golf Bonds have matured and were paid in full on December 1, 2006.

A requirement of the bond ordinance was to establish a rate covenant that provides that net revenue of the Golf fund will equal at least 1.25 times the debt service on the bonds and any additional bonds in that year. The ordinance also provides for the establishment of a reserve account to secure the payment of principal and interest on the bonds. The reserve account for the bonds is an amount equal to the lesser of a) 10% of the bond proceeds, b) the maximum annual debt service, or c) 125% of the average annual debt service on the bonds. There is no intention of issuing additional revenue bonds for golf purposes at this time. The reserve account has been established in the Golf Debt Service fund.

The Golf Fund revenue did not meet the rate covenant for 2013. The net revenue ratio, as stated above, requires the net revenue be 1.25 times the debt service on the bonds. Although the net revenue ratio was only 0.78 for 2013, the debt was fully retired during 2013.

Note 13

Commitments & Contingencies

A. Disability Supplemental Pensions

The Department of Labor and Industries made a determination that four employees of the City were totally disabled as the result of industrial injuries. This determination required the employees to be placed on the pension rolls of the Department of Labor and Industries supplemental pension fund and provided for monthly pension benefits. Since the City is self-insured, the City is responsible for funding these pension benefits. The City has deposited \$427,949 with the State of Washington which represents the full present value (as of June 30, 1995) of the pensions. The State will invest the \$427,949 on the City's behalf and pay pensions each month from that deposit. Interest earnings will accrue to the deposit. Each year, in June, the pensions are actuarially re-evaluated and excess monies, from interest earnings and decreasing present value, are returned to the City. As of June 30, 2014, there are three pensioners remaining. The current value of the deposit, as of June 30, 2014, was \$253,417. In 2013, a deposit of \$744,120 was made for an additional pension; however, in 2014 this amount was reimbursed by the City's excess insurance carrier. In 2014, two additional pensions in the amount of \$424,277 were funded, for a total deposit with the State of \$677,694.

B. Downtown Housing Stabilization

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

C. Spokane Public Facilities District

In August 2003 the City executed an interlocal agreement with the Spokane Public Facilities District (PFD) related to the Spokane Convention

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

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

This agreement is valid through December 31, 2038.

D. Construction Commitments

The City has active construction projects as of December 31, 2104. The projects include street construction, parks, water/sewer infrastructure and transfer station upgrades, and technology upgrades. At year end, outstanding construction commitments are as follows:

Construction Commitments	Original Commitment	Spent to Date	Remaining Commitment at 12/31/14
TARU SECURITY DOOR-Public Safety Building	10,000	9,162	838
2013 Traffic Calming	662,995	105,058	557,937
Cowley Park Play Structure & Resurfacing	16,744	-	16,744
Gaiser Conservatory renovation	159,877	157,480	2,397
Gaiser Conservatory renovation	5,196	-	5,196
Cliff Park Sidewalk Replacement	22,277	-	22,277
Design of Garden Springs Creek Restoration	19,750	8,375	11,375
High Bridge Park Access Road Resurfacing	36,948	-	36,948
Riverfront Park Removal and Replacement Pathways	32,937	32,938	(1)
Parkinglot Sealcoats Parks Operations & Sports Complex	21,668	-	21,668
Tennis Courts Repairs	13,026	-	13,026
Mission Park Tennis Court Renovation	183,578	135,962	47,616
Park Restroom Construction	55,834	51,561	4,273
Mirror Pond Renovation	11,859	5,972	5,887
Francis Ave - Division to ECL, ITS & Communications	713,203	-	713,203
Hamblen Elementary	336,114	326,559	9,555
Connect to Transit, Hardscape Improvements	187,418	-	187,418
City-Wide Heat Applied Thermoplastic Crosswalk Markings (2012070)	434,276	318,981	115,296
Centennial Trail Gap (2010092)	518,696	504,255	14,441
Artur St from 5th and 2nd (2013065)	64,986	61,700	3,286
Regal/Palouse Soccer Field Traffic (2014098)	28,722	-	28,722
Westview Elementary School (2013057)	446,463	446,463	-
Lincoln/Monroe (2013210)	494,304	403,974	90,330
Francis from Division St to Crestline (2012060)	306,303	254,769	51,534
Grand Blvd - McClellan St (2012114)	631,821	558,733	73,088
Havana St Bridge (2004062)	5,267,453	5,082,507	184,947
High Dr - 29th Ave to Bernard (2010123)	323,760	299,216	24,544
Artur St from 5th and 2nd (2013065)	286,831	251,371	35,460
Rebecca St from Pratt to 7th (2014090)	435,150	-	435,150
Lincoln/Monroe (2013210)	1,073,623	937,398	136,225
Rockwood from Cowley to SE (2010125)	1,907,538	1,689,466	218,072
Francis from Division St to Crestline	2,445,235	2,201,986	243,249
Mission Ave- Hamilton st from Perry st (2013209)	8,480	-	8,480
Mission Ave- Hamilton st from Perry st (2013209)	240,618	231,777	8,841
High Dr - 29th Ave to Bernard	844,438	672,918	171,520
Cowley Park Play Structure & Resurfacing	13,087	-	13,087
Architectural services; Cent. Trl. extension	44,363	40,812	3,551
Underwater Services for Upriver Spillway Dam Rehab	6,572	3,286	3,286
PW2013130 Greene Street Bridge - Water Main Replacement	566,812	525,602	41,210
Motor Control Center - Five Mile Pump Station Upgrade	55,059	-	55,059
Motor Control Center - Garden Park Booster Station	115,029	-	115,029
Pump - Well Electric Remodel	112,335	-	112,335
PW2013194 8th & Chandler - Transmission Main Replacement	794,860	759,161	35,699
PW2010070 Lincoln Heights Booster Station Replacement	2,194,765	2,179,902	14,863
PW2012104 Crestline 37th to 57th Ave`	2,315,437	2,137,349	178,088
Upriver Dam Spillway Rehabilitation Phase II	267,009	28,402	238,607

Upriver Dam Spillway Rehabilitation Phase I	204,456	111,122	93,334
PW2010069 Garden Park Booster Station - Upgrade	951,434	257,030	694,404
PW2014074 Lincoln Heights Reservoir #1	574,563	-	574,563
PW2012086 Euclid Ave - Water Main Replacement	1,957,721	1,792,715	165,007
PW2012210 Lincoln/Monroe 8th -17th Ave	550,978	444,770	106,208
PW2010125 Rockwood Blvd from Crowley St to SE Blvd	283,242	229,664	53,578
PW2012060 Francis Ave Division - Crestline	129,043	105,377	23,666
Upriver Dam Spillway Rehabilitation Phase II Site Investig	14,761	7,971	6,790
PW2013209 Mission Ave Hamilton - Perry	96,625	91,672	4,953
PW2012114 Grand Blvd - McClellan St 8th -14th Ave	219,195	211,609	7,586
PW2010069 Garden Park Booster Station - Electrical Engin	24,420	7,953	16,468
Fabrication and Installation of Door Canopies at the RPV	7,074	-	7,074
Transit Hardscape Improvments Phase II	39,489	-	39,489
CSO 34-3 Control Facility	5,647,357	4,941,764	705,593
RPWRF Package A	14,656,999	14,532,790	124,209
RPWRF Small Projects Package	5,005,200	4,405,709	599,491
CSO 34-2 Control Facility	9,193,379	6,419,989	2,773,390
CSO 38,39,40 Control Facility	4,909,747	4,782,155	127,592
8th and Chandler Street Transmission Main	52,394	45,738	6,655
CSO 33-2 Control Facility	4,061,188	1,417,435	2,643,753
RPWRF Package B Upgrades	7,498,701	6,823,762	674,939
RPWRF Package C Silo Digester No3	4,531,737	972,257	3,559,480
Sanitary Sewer CIPP Cure in Place Pipe	1,172,197	884,040	288,157
Arthur St 5th to Second Ave	53,917	40,115	13,801
Lift Station Backup Power Installation	481,184	422,722	58,462
Euclid from Mayfair to Crestline Water Main	60,271	101,620	(41,349)
Rebecca St from Pratt Ave to 7th Ave	121,129	-	121,129
Lincoln/Monroe from 17th to 8th	887,331	728,301	159,031
Clark Ave Riverbank Stabilization	116,650	92,937	23,713
Rockwood Blvd from Cowley to SE Blvd	388,376	366,325	22,051
Francis Ave Division to Crestline	183,053	161,190	21,863
2014 Residential Grind and Overaly	20,742	15,782	4,960
Mission Ave From Hamilton to Perry	58,823	52,880	5,943
High Drive and Bernard St Drywell Installation	239,753	60,652	179,101
High Drive 29th Ave to Bernard St	804,570	506,946	297,623
Upgrade network wiring WTE	38,576	15,116	23,460
Replace truck scale WTEP	450,000	-	450,000
Efficiency Restoration WTEP	4,000,000	3,772,822	227,178
Risk mitigation, gas burners, waterwalls, fire supression	9,460,000	8,843,642	616,358
Design/Build Spokane Central Service Center(SCSC)	14,200,000	5,267,707	8,932,293
Concrete Inspection & testing SCSC	45,374	11,473	33,901
Consulting Services SCSC	231,080	135,931	95,149
Artist Selection for SCSC art project	11,300	3,767	7,533
Division Gateway - 3rd to 4th	657,362	-	657,362
Hillyard Police Precinct	324,305	64,113	260,192
Rowan Ave Sdkw (2012134)	305,357	283,997	21,360
(2014073)	195,244	-	195,244
Artur St from 5th and 2nd (2013065)	16,244	15,423	821
TBD Arterial St (2013224)	323,799	246,453	77,346
Total Construction Commitments	\$ 120,189,789	\$ 90,118,530	\$ 30,071,259

D. Developer Improvements

In 2007, the City Council adopted Ordinance C34758 authorizing an "Amended and Restated Reimbursement Agreement". Under Article V of that agreement, the developer may offer to sell the City certain public improvements according to the terms of a "Form of Purchase and Sale Agreement".

In 2012, the developer exercised that right and the City entered into an agreement to purchase *Kendall Yards 2nd Addition Tendered Improvements* in the amount of \$594,087.

In 2013, the developer exercised the right again and the City entered into an agreement to purchase *Kendall Yards 4th Addition Tendered Improvements* in the amount of \$818,236.

Both agreements provide for the agreement amount to be amortized over 20 years with an interest rate of .1443%. In both cases, 100% of the TIF (tax increment financing) revenue is pledged until 2032 or the debt is paid in full, whichever comes first. Payments made are contingent based on the performance of the West Quadrant area. In 2014, property taxes revenues of \$48,897 were received, while the principle amount paid on the outstanding debt was \$28,939.

E. Issuance of General Obligation Bonds

In January 2015, the City sold \$60.0 million in unlimited tax general obligation bonds (UTGO Series 2015). The Bonds, which were approved by the voters on November 04, 2014, are being used to finance improvements to Riverfront Park and the Parks system.

Projects include:

- Improvements to parks grounds, infrastructure, and playgrounds
- Renovation of U.S. Pavilion/Event Center
- Improvements to Looff Carrousel building and visitors center
- Enhancements to public safety and improved access and lighting
- Improvements to and relocation of the ice rink
- Improvements to Sykride
- Improvements to park shelters

In January 2015, the City issued \$48.3 million in limited tax general obligation bonds (LTGO

Refunding Bonds, Series 2015), which were issued to refund all of the city's outstanding \$7,350,000 Unlimited Tax General Obligation Bonds, Series 2004 and \$38,155,000 Unlimited Tax General Obligation and Refunding Bonds, Series 2007.

The bonds are the general obligations of the city, and are secured by the full faith, credit, and resources of the city. The bonds do not constitute a debt of the state or any political subdivision other than the City of Spokane.

Note 14

Prior Period Adjustments

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

Prior Period Adjustment	
Governmental Activities	\$ (23,699,523)
Business-Type Activities	(3,582,968)
Total	(27,282,491)
Governmental Activities	
General Fund	\$ 556,890
Law Enforcement Info Systems Fund	(74,754)
Human Services Grants	(31,794)
Public Safety & Judicial Grants Fund	1,426
Arterial Street Fund	(31,651)
Capital Projects Construction	(451)
Special Assessment Construction	369
Information Technology Fund	22,438
Employee Benefits Fund	949,945
	1,392,418
Capital Asset Correction¹	
Street Fund	728,020
Parks Fund	(145,934)
Arterial Street Fund	(47,000)
Total	\$ 1,927,504

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

Net Pension Obligation

The City restated fund balance in order to record the net pension obligation as of 12/31/14. The Statement of Activities was impacted as follows:

Net Pension Obligation	
Governmental Activities	(25,627,027)
Total	\$ (25,627,027)

Governmental Activities

\$407,573 increase in the General Fund due to an agreement with Spokane County regarding shared costs of the Public Safety Building for 2012 and 2013.

\$24,922 decrease in the General Fund due to write off of past accounts receivable amounts.

\$2,851 decrease in the General Fund due to the correction of prior year accruals.

\$177,090 increase in the General Fund due to an adjustment in the equity in pooled investments balance.

\$74,754 decrease in the Law Enforcement Information Systems Fund due to an agreement with Spokane County regarding shared costs of the Public Safety Building for 2012 and 2013.

\$31,794 decrease in the Human Services Grants Fund to correct prior year accruals.

\$1,426 increase in the Public Safety and Judicial Grants Fund to reclassify prior year grant program income for ineligible expenses/grant findings as recommended by the cognizant agency (Department of Justice).

\$31,651 decrease in the Arterial Street Fund due to the correction of prior year accruals.

\$451 decrease in Fund 3270 to correct balance.

\$369 increase in Special Assessment Construction Fund to correct prior year fund balance.

\$22,438 increase in the Information Technology Fund due to a correction of a prior year accrual.

\$949,945 increase in the Employee Benefits Fund due to an estimated rate stabilization refund for prior year premiums paid to Group Health.

\$728,020 increase in Street Fund capital assets is due to the correction of a prior year amount recorded in construction in progress.

\$145,934 decrease in Parks Fund capital assets is due to the correction of a prior year amount recorded in construction in progress.

\$47,000 decrease in Arterial Street Fund capital assets is due to a correction of prior year balance as a result of the property being sold during 2013.

Business-Type Activities	
Water/Sewer Fund	(3,634,639)
Other Enterprise Funds	51,671
Total	\$ (3,582,968)

Business-Type Activities

\$3,470,799 decrease in the Water/Sewer Fund of due to the correction of prior year accruals, and a decrease of \$163,840 to correct a prior amount recorded in construction in progress.

\$51,671 increase in the Building Services Fund due to the correction of prior year accruals.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund Accounts
For the Year Ended December 31, 2014**

	Original Budget	Final Budget	Actual	Eliminations	Variance with Final Budget-Positive (Negative)
RESOURCES					
Taxes	\$ 140,803,005	\$ 141,403,005	\$ 144,212,210	\$ -	\$ 2,809,205
Licenses and permits	6,185,500	6,185,500	6,559,707	-	374,207
Intergovernmental	5,186,874	5,416,874	4,904,281	-	(512,593)
Charges for services	14,625,585	14,825,585	14,996,191	-	170,606
Fines and forfeitures	3,294,500	3,294,500	3,429,036	-	134,536
Miscellaneous	3,880,681	5,220,681	5,169,566	-	(51,115)
Total resources	173,976,145	176,346,145	179,270,991	-	2,924,846
EXPENDITURES					
General government	29,640,766	29,840,113	29,794,365	-	45,748
Public safety	96,546,175	99,733,785	99,969,355	-	(235,570)
Utilities environment	134,627	139,927	-	-	139,927
Transportation	5,508,315	5,854,373	5,478,905	-	375,468
Economic environment	6,426,088	7,385,417	5,878,651	-	1,506,766
Mental and physical health	120,080	122,080	99,984	-	22,096
Culture and recreation	9,007,849	8,979,488	8,634,338	-	345,150
Capital outlay	2,035,541	2,234,468	1,977,236	-	257,232
Debt service:					
Interest	10,000	10,000	-	-	10,000
Total expenditures	149,429,441	154,299,651	151,832,834	-	2,466,817
Excess resources over expenditures	24,546,704	22,046,494	27,438,157	-	5,391,663
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	(265)	-	(265)
Collection of revolving loans	-	-	-	-	-
Transfers in	45,433,654	45,433,654	45,423,794	(45,373,794)	(9,860)
Transfers out	(70,760,000)	(74,018,980)	(72,641,695)	45,373,794	1,377,285
Total other financing sources (uses)	(25,326,346)	(28,585,326)	(27,218,166)	-	1,367,160
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(779,642)	(6,538,832)	219,991	-	6,758,823
Other changes in fund balance					
Prior period adjustment	556,890	556,890	556,890	-	-
Fund Balance - beginning	38,311,773	38,311,773	38,311,773	-	-
Fund Balance - ending	\$ 38,089,021	\$ 32,329,831	\$ 39,088,654	\$ -	\$ 6,758,823

Required Supplementary Information

Schedule of Funding Progress

Schedule of Funding Progress Employees' Retirement System Valuation Years 2014 through 2008 (dollars in thousands)							
	2014	2013	2012	2011	2010	2009	2008
Actuarial valuation date	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Actuarial value of plan assets	\$ 276,003	\$ 261,605	\$ 241,425	\$ 241,611	\$ 241,748	\$ 231,997	\$ 193,314
Actuarial accrued liability	398,058	381,039	364,716	351,318	334,849	317,577	295,223
Unfunded actuarial liability	122,055	119,434	123,291	109,707	93,101	85,580	101,909
Percentage funded	69%	69%	66%	69%	72%	73%	65%
Covered payroll	89,035	87,337	89,015	90,264	88,094	83,455	74,183
Unfunded actuarial liability as a percentage of covered payroll	137%	137%	139%	122%	106%	103%	137%

Schedule of Funding Progress Firefighters' Pension System Valuation Years 2014 through 2004 (dollars in thousands)							
	2014	2012	2010	2008	2006	2005	2004
Actuarial valuation date	12/31/2014	12/31/2012	12/31/2010	12/31/2008	12/31/2006	12/31/2005	12/31/2004
Actuarial value of plan assets	\$ 13,920	\$ 12,571	\$ 14,246	\$ 15,259	\$ 13,325	\$ 12,480	\$ 12,960
Actuarial accrued liability	21,433	25,755	29,639	33,364	32,728	27,565	15,590
Unfunded actuarial liability	7,513	13,184	15,393	18,105	19,403	15,085	2,630
Percentage funded	65%	49%	48%	46%	41%	45%	83%
Covered payroll	N/A	N/A	244	217	380	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	6309%	8343%	51	N/A	N/A

Schedule of Funding Progress cont.

Schedule of Funding Progress Police Pension System Valuation Years 2014 through 2004 <i>(dollars in thousands)</i>							
	2014	2012	2010	2008	2006	2005	2004
Actuarial valuation date	12/31/2014	12/31/2012	12/31/2010	12/31/2008	12/31/2006	12/31/2005	12/31/2004
Actuarial value of plan assets	\$ 613	\$ 664	\$ 714	\$ 929	\$ 659	\$ 787	\$ 963
Actuarial accrued liability	9,952	10,599	12,450	18,350	16,480	14,332	6,538
Unfunded actuarial liability	9,339	9,935	11,736	17,421	15,821	13,545	5,575
Percentage funded	6%	6%	6%	5%	4%	5%	15%
Covered payroll	N/A	N/A	143	136	176	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	8207%	12810%	8989%	N/A	N/A
The City uses a two-year actuarial cycle.							

Schedule of Employer Contributions

Schedule of Contributions from Employers For the Fiscal Years Ended December 31, 2014 through 2008 (dollars in thousands)							
	2014	2013	2012	2011	2010	2009	2008
Employees' Retirement System							
Employer's annual required contribution	\$ 8,292	\$ 8,237	\$ 8,326	\$ 10,011	\$ 8,955	\$ 8,267	\$ 8,827
Employer's actual contribution	6,822	6,715	6,938	6,799	6,581	6,474	4,875
Percentage contributed	82%	82%	83%	68%	73%	78%	55%
Annual pension cost	8,788	8,687	8,734	10,337	9,219	8,485	8,950
Net pension obligation	23,259	21,293	19,322	17,525	13,988	11,349	9,339
Firefighters' Pension System							
Employer's annual required contribution	\$ 865	\$ 865	\$ 1,071	\$ 1,071	\$ 1,215	\$ 1,215	\$ 1,262
Employer's actual contribution	1,516	2,183	440	0	758	697	1,360
Percentage contributed	175%	252%	41%	0%	62%	57%	108%
Annual pension cost	865	834	1,058	1,077	1,228	1,234	1,279
Net pension obligation	(671)	(20)	1,329	711	(366)	(835)	(1,373)
Police Pension System							
Employer's annual required contribution	\$ 587	\$ 587	\$ 734	\$ 734	\$ 1,045	\$ 1,045	\$ 1,029
Employer's actual contribution	838	845	870	849	768	1,037	1,108
Percentage contributed	143%	144%	118%	116%	73%	99%	108%
Annual pension cost	534	529	685	684	1,003	1,005	998
Net pension obligation	1,503	1,807	2,123	2,308	2,473	2,238	2,270

Other Postemployment Benefits Schedule of Funding Progress

Schedule of Funding Progress Other Postemployment Benefits Firefighters' Pension System Valuation Years 2014 through 2008 (dollars in thousands)				
Firefighters' Pension System	2014	2012	2010	2008
Actuarial valuation date	12/31/2014	12/31/2012	12/31/2010	12/31/2008
Actuarial value of plan assets	\$ 13,998	\$ 12,576	\$ 7,889	\$ 5,133
Actuarial accrued liability (AAL)	54,093	62,779	77,975	65,479
Unfunded actuarial accrued liability (UAAL)	40,095	50,203	70,086	60,346
Funded ratio	26%	20%	10%	8%
Covered payroll	N/A	N/A	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A	N/A	N/A
The City uses a two-year actuarial cycle.				

Schedule of Funding Progress Other Postemployment Benefits Police Pension System Valuation Years 2014 through 2008 (dollars in thousands)				
Police Pension System	2014	2012	2010	2008
Actuarial valuation date	12/31/2014	12/31/2012	12/31/2010	12/31/2008
Actuarial value of plan assets	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	62,745	73,197	91,069	74,045
Unfunded actuarial accrued liability (UAAL)	62,745	73,197	91,069	74,045
Funded ratio	0%	0%	0%	0%
Covered payroll	N/A	N/A	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A	N/A	N/A
The City uses a two-year actuarial cycle.				

Other Postemployment Benefits

Schedule of Contributions from Employers

Schedule of Contributions from Employers Other Postemployment Benefits Firefighters' Pension System For the Fiscal Years Ended December 31, 2014 through 2009 <i>(dollars in thousands)</i>						
Firefighters' Pension System	2014	2013	2012	2011	2010	2009
Employer's annual required contribution	\$ 3,377	\$ 3,377	\$ 5,056	\$ 5,056	\$ 4,311	\$ 4,311
Employer's actual contribution	3,377	3,377	5,099	5,013	4,311	4,311
Percentage contributed	100%	100%	101%	99%	100%	100%
Annual OPEB cost	3,377	3,377	5,056	5,056	4,311	4,311
Net OPEB obligation	0	0	0	43	0	0

Schedule of Contributions from Employers Other Postemployment Benefits Police Pension System For the Fiscal Years Ended December 31, 2014 through 2009 <i>(dollars in thousands)</i>						
Police Pension System	2014	2013	2012	2011	2010	2009
Employer's annual required contribution	\$ 4,380	\$ 4,380	\$ 5,877	\$ 5,877	\$ 4,573	\$ 4,573
Employer's actual contribution	3,041	2,496	2,811	2,856	3,398	2,747
Percentage contributed	69%	57%	48%	49%	74%	60%
Annual OPEB cost	4,028	4,093	5,712	5,782	4,505	4,541
Net OPEB obligation	13,111	12,124	10,527	7,626	4,700	3,593

Notes to the Required Supplementary Information

For the Fiscal Year Ended December 31, 2014

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. The actuarial methods and significant assumptions used in these valuations are available in the publicly available actuary reports for the three pension plans. These reports may be obtained by writing to the Spokane Employees' Retirement System, City Hall, 808 West Spokane Falls Blvd, Spokane, Washington, 99201 or by calling (509) 625-6330.

CITY OF SPOKANE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2014

1 FEDERAL AGENCY NAME/ PASS-THROUGH AGENCY NAME	2 FEDERAL PROGRAM NAME	3 CFDA NUMBER	4 OTHER AWARD NUMBER	5 Expenditures			6 Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Dept of Agriculture/ Pass-Through from WA State Dept. of Natural Resources	Cooperative Forestry Assistance	10.664	IA-14-050/K244-12-DG	4,093		4,093	
U. S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B12-MC-530006		1,773,171		5
			B13-MC-530006		2,079,595		5
			Program Income		36,962		3
			Program Income		<u>1,290,320</u>		3
			Subtotal		5,180,048	5,180,048	
U. S. Department of Housing and Urban Development/ Pass-Through from WA State Dept. of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	11-67400-004	2,058		2,058	
U. S. Department of Housing and Urban Development	Emergency Solutions Grant Program	14.231	S13-MC-530002		76,401	76,401	8
U. S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M11-MC-530201		308,764		5
			M12-MC-530201		119,509		5
			Program Income		9,697		3
			M13-MC-530201		103,086		5
			Program Income		213,564		3
			M14-MC-530201		97,750		5
			Program Income		<u>256,430</u>		3
			Subtotal		1,108,800	1,108,800	
U. S. Department of Housing and Urban Development	ARRA-Neighborhood Stabilization Program (Recovery Act Funded)	14.256	B09-NI-WA-0009		16,708	16,708	7 8 9A
U. S. Department of Housing and Urban Development	Continuum of Care Program	14.267	WALOT021205		1,893,332		8
			WA0106LOT021306		12,062		8
			WA0109LOT021306		24,684		8
			WA0110LOT021306		83,350		8
			WA0111LOT021306		147,914		8
			WA0112LOT021306		48,868		8
			WA0113LOT021306		100,222		8
			WA0115LOT021306		49,117		8
			WA0117LOT021306		42,616		8
			WA0118LOT021306		45,437		8
			WA0120LOT021306		11,913		8
			WA0122LOT021306		28,741		8
			WA0123LOT021306		42,995		8
			WA0124LOT021306		96,089		8
			WA0125LOT021306		11,914		8
			WA0126LOT021306		2,192		8
			WA0127LOT021306		6,995		8
			WA0128LOT021306		15,498		8
			WA0129LOT021306		56,721		8
			WA0130LOT021306		52,968		8
			WA0133LOT021306		20,073		8
			WA0136LOT021306		64,812		8
			WA0208LOT021306		33,756		8
			WA0218LOT021306		9,089		8
			WA0248LOT021306		12,556		8
			WA0265LOT021306		6,224		8
			WA0283LOT021306		19		
			WA0285LOT021306		56,066		8
			WA0288LOT021306		<u>270</u>		
			Subtotal		2,976,493	2,976,493	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

CITY OF SPOKANE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2014

1	2	3	4	5			6
FEDERAL AGENCY NAME/ PASS-THROUGH AGENCY NAME	FEDERAL PROGRAM NAME	CFDA NUMBER	OTHER AWARD NUMBER	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Housing and Urban Development/ Pass-Through from WA State Dept. of Commerce	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	WAHLP0523-12	20,331		20,331	
U.S. Department of Housing and Urban Development	Lead Hazard Reduction Demonstration Grant Program	14.905	WA LHD 0239-12 Program Income Subtotal		262,809 <u>85,555</u> 348,364	348,364	5 3
U.S. Department of Justice/ Pass-Through from WA State Patrol	Domestic Cannabis Eradication Suppression Program	16.C141340FED	C141340FED	16,402		16,402	9B
U.S. Department of Justice/ Pass-Through from Spokane County Sheriff's Office	Violence Against Women Formula Grants	16.588	F13-31103-063	2,370		2,370	
U.S. Department of Justice	Public Safety Partnership and Community Policing Grants	16.710	2013ULWX0053 2014ULWX0016 Subtotal		35,772 <u>13,596</u> 49,368	49,368	
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2142 Program Income 2013-DJ-BX-0215 Subtotal		27,096 4,168 <u>66,260</u> 97,524	97,524	8 8
U.S. Department of Justice/ Pass-Through from from Spokane County	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345 M14-31440-016 Subtotal	9,873 <u>19,346</u> 29,219		29,219	
Total - CFDA 16.738				29,219	97,524	126,743	
U.S. Department of Transportation/Pass-Through from WA State Department of Transportation	Highway Planning and Construction <						

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

CITY OF SPOKANE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2014

1	2	3	4	5			6
FEDERAL AGENCY NAME/ PASS-THROUGH AGENCY NAME	FEDERAL PROGRAM NAME	CFDA NUMBER	OTHER AWARD NUMBER	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Transportation/Pass-Through from WA State Department of Transportation	Highway Planning and Construction (continued from previous page)	20.205	CM-3960(002)LA8358 TAP-1220(030)LA8330 CM-3933(001)LA8332 Subtotal	5,276 15,824 <u>16,138</u> 5,508,139		5,508,139	
U.S. Department of Transportation	National Motor Carrier Safety	20.218	FM-MHP-0106-13-01-01		44,109	44,109	
U.S. Department of Transportation/Pass- Through from Spokane Transit Authority	New Freedom Program	20.521	WA-57-X023	74,614		74,614	
U.S. Department of Transportation/Pass- Through from WA State Traffic Safety Commission	State and Community Highway Safety	20.600	Impaired Driving	1,751		1,751	
U.S. Department of Transportation/Pass- Through from WA Association of Sheriffs and Police Chiefs	State and Community Highway Safety	20.600	Sector Equipment	9,149		9,149	4B
Total - CFDA 20.600				10,900		10,900	
U.S. Department of Transportation/Pass- Through from WA State Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	Seat Belts	5,037		5,037	
U.S. Department of Transportation/Pass- Through from WA State Traffic Safety Commission	National Priority Safety Programs	20.616	Target Zero Teams	15,518		15,518	
Institute of Museum and Library Services/Pass-through from WA State Library	Grants to States	45.310	G-4799	2,972		2,972	
Environmental Protection Agency/pass-through from WA State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1200015 L1400004 L1400005 L1400007 L1400011 Subtotal	73,344 203,107 372,078 147,127 <u>10,932,476</u> 11,728,132		11,728,132	6 6 6 6 6
Environmental Protection Agency/pass-through from WA State Department of Commerce	Brownfields Assessment and Cleanup Cooperative Agreements	66.818	S-14-74203-01	70,254		70,254	
U. S. Department of Homeland Security/ Pass-Through from WA State Association of Fire Marshals	Assistance to Firefighters Grant	97.044	EMW-2012-FP-01305	2,500		2,500	
U. S. Department of Homeland Security/ Pass-Through from Spokane County Department of Emergency Management	Homeland Security Grant Program	97.067	E13-139 E13-139 BNSF HazMat Training Security Upgrades Active Shooter Drill Subtotal	22,806 2,375 9,615 47,021 <u>15,377</u> 97,194		97,194	4A 4A

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

CITY OF SPOKANE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2014

1	2	3	4	5			6
FEDERAL AGENCY NAME/ PASS-THROUGH AGENCY NAME	FEDERAL PROGRAM NAME	CFDA NUMBER	OTHER AWARD NUMBER	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U. S. Department of Homeland Security/ Pass-Through from State of Idaho Military Division	Homeland Security Grant Program	97.067	61307451	6,590			4A
			61307461	5,156			4A
			61302741	1,630			4A
			61302731	42			4A
			61303761	4,375			4A
			61307241	1,911			4A
			61308591	3,550			4A
			EMW-2014-SS-00084	<u>2,122</u>			
			Subtotal	25,376		25,376	
Total - CFDA 97.067				122,570		122,570	
Total Federal Awards Expended				17,615,109	9,897,815	27,512,924	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

CITY OF SPOKANE, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for all governmental funds. The accrual basis of accounting is used for all proprietary, non-expendable trust and pension trust funds.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the Federal portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City of Spokane has a revolving loan program for low-income housing. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$2,482,759. These amounts are presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$959,390.

Program	Loans Disbursed	Principal/Interest Received
HOME	\$ 658,482	\$ 268,191
CDBG	1,708,588	674,097
Lead Safe Spokane	115,689	14,608
Housing Assistance/ Neighborhood Stabilization	-	2,494
Total	\$ 2,482,759	\$ 959,390

NOTE 4 - NONCASH AWARDS – EQUIPMENT

(A) The City received equipment from Spokane County Department of Emergency Management and the State of Idaho Military Division that was purchased with federal Homeland Security funds. The amount reported on the SEFA is the value of the property on the date it was received by the City and priced by Homeland Security.

(B) The City received equipment from Washington Association of Sheriffs and Police Chiefs that was funded from the National Highway Traffic Safety Administration. The amount reported on the SEFA is the value of the property on the date it was received by the City and priced by Washington Association of Sheriffs and Police Chiefs.

NOTE 5 - INDIRECT COST RATE

The amount expended includes \$522,937, claimed as an indirect cost recovery using an indirect cost rate of 140.26%, depending on the allowable maximum amount allowed per grant.

NOTE 6 – FEDERAL LOANS

The City was approved by the State of Washington Department of Ecology to receive loans totaling \$32,460,985. The Department of Ecology computes the ratio that is used to determine Federal funds from State funds for loan proceeds received by the City. While the amount of \$11,728,132 reported on the SEFA is 100% of expenditures, reimbursement for the federal portion of these loans is \$9,773,052 based on 83.33% as determined by the Department of Ecology.

**CITY OF SPOKANE, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 7 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

NOTE 8 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for the City of Spokane is \$2,974,644 that was passed through to subrecipients that administered their own projects.

CFDA 14.231	70,375
CFDA 14.256	13,784
CFDA 14.267	2,815,906
CFDA 16.738	74,579
	<u>2,974,644</u>

NOTE 9 - CFDA NUMBER CLARIFICATION

(A) CFDA number 14.256 has been archived on the CFDA website. This is an ARRA funded grant that was awarded under this CFDA number and the City is still administering the grant.

(B) The U.S. Department of Justice Domestic Cannabis Eradication/Suppression program does not have a distinct CFDA number. It is presented on the SEFA as 16.C141340FED which is the U.S. Department of Justice federal agency's two digit prefix followed by the contract or grant number.

**Schedule for General Fund Accounts
Balance Sheet
December 31, 2014**

continued

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
ASSETS					
Cash and cash equivalents	\$ 4,787,850	\$ 253,310	\$ 324,516	\$ 155,498	\$ 390
Deposits with fiscal agents/trustees	45,918	-	-	-	-
Equity in pooled investments	14,064,497	-	490,672	-	-
Taxes receivable	12,231,623	410,264	-	-	-
Accounts receivable	2,862,850	-	44,953	9,332	-
Interest receivable	263,899	-	236	-	-
Due from other funds	5,102,377	168,614	2,967	-	-
Interfund loan receivable	2,743,216	-	2,504	-	-
Due from other governments	943,548	-	11,231	-	-
Advances to other funds	528,703	-	19,732	-	-
Inventories	-	-	-	-	-
Notes/contract receivable (non current)	-	-	-	-	-
Total Assets	43,574,481	832,188	896,811	164,830	390
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts/vouchers payable	1,811,752	9,616	88,861	39,687	-
Due to other funds	1,469,283	632,988	1,695	6,408	-
Due to other governments	11,164	-	-	-	-
Interfund loan payable	47,804	-	-	-	-
Other accrued liabilities	2,273,868	29,438	169,109	-	-
Other current liabilities	1,154,313	-	98	-	-
Deferred inflow of resources (property taxes)	1,673,792	-	-	-	-
Total Liabilities	8,441,976	672,042	259,763	46,095	-
FUND BALANCE:					
Nonspendable	595,809	-	22,236	-	-
Restricted for:					
Inventories	-	-	-	-	-
Capital projects	-	-	-	-	-
Grants	-	-	-	-	-
Committed	15,139,072	-	-	83,967	390
Assigned	1,405,797	160,146	614,812	34,768	-
Unassigned	17,991,827	-	-	-	-
Total Fund Balance	\$ 35,132,505	\$ 160,146	\$ 637,048	\$ 118,735	\$ 390

**Schedule for General Fund Accounts
Balance Sheet
December 31, 2014**

continued

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	JTPA Private Industry Council	Cumulative Reserve
ASSETS					
Cash and cash equivalents	\$ 87,652	\$ 1,214	\$ 662	\$ -	\$ 22,569
Deposits with fiscal agents/trustees	1,109	-	-	-	-
Equity in pooled investments	-	229,555	190,992	-	-
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Interest receivable	-	273	228	-	-
Due from other funds	-	-	-	-	-
Interfund loan receivable	6	1,172	975	-	-
Due from other governments	-	-	-	-	-
Advances to other funds	45	9,231	7,680	-	-
Inventories	-	-	-	-	-
Notes/contract receivable (non current)	-	200,377	20,219	-	-
Total Assets	88,812	441,822	220,756	-	22,569
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts/vouchers payable	-	78	-	-	-
Due to other funds	-	29	29	-	-
Due to other governments	-	-	-	-	-
Interfund loan payable	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Deferred inflow of resources (property taxes)	-	-	-	-	-
Total Liabilities	-	107	29	-	-
FUND BALANCE:					
Nonspendable	51	10,403	8,655	-	-
Restricted for:					
Inventories	-	-	-	-	-
Capital projects	-	-	-	-	-
Grants	-	431,312	212,072	-	-
Committed	-	-	-	-	-
Assigned	88,761	-	-	-	22,569
Unassigned	-	-	-	-	-
Total Fund Balance	\$ 88,812	\$ 441,715	\$ 220,727	\$ -	\$ 22,569

**Schedule for General Fund Accounts
Balance Sheet
December 31, 2014**

concluded

	Emergency Medical Services	Eliminations	Total
ASSETS			
Cash and cash equivalents	\$ 357,303	\$ -	5,990,964
Deposits with fiscal agents/trustees	10,226	-	57,253
Equity in pooled investments	1,675,527	-	16,651,243
Taxes receivable	467,526	-	13,109,413
Accounts receivable	254,172	-	3,171,307
Interest receivable	676	-	265,312
Due from other funds	1,160,123	(1,109,810)	5,324,271
Interfund loan receivable	8,552	-	2,756,425
Due from other governments	71,163	-	1,025,942
Advances to other funds	67,378	-	632,769
Inventories	-	-	-
Notes/contract receivable (non current)	-	-	220,596
Total Assets	4,072,646	(1,109,810)	49,205,495
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/vouchers payable	166,939	-	2,116,933
Due to other funds	2,863	(1,109,810)	1,003,485
Due to other governments	-	-	11,164
Interfund loan payable	-	-	47,804
Other accrued liabilities	1,210,284	-	3,682,699
Other current liabilities	10,136	-	1,164,547
Deferred inflow of resources (property taxes)	416,417	-	2,090,209
Total Liabilities	1,806,639	(1,109,810)	10,116,841
FUND BALANCE:			
Nonspendable	75,930	-	713,084
Restricted for:			
Inventories		-	-
Capital projects		-	-
Grants		-	643,384
Committed		-	15,223,429
Assigned	2,190,077	-	4,516,930
Unassigned		-	17,991,827
Total Fund Balance	\$ 2,266,007	\$ -	39,088,654

Schedule for General Fund Accounts
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2014

continued

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
REVENUES					
Taxes	\$ 136,759,381	\$ 21,367	\$ -	\$ -	\$ -
Licenses and permits	6,192,537	-	-	-	-
Intergovernmental	4,874,169	-	3,471	-	-
Charges for services	13,314,665	598,184	22,855	-	-
Fines and forfeitures	3,080,445	-	179,811	-	-
Miscellaneous	4,644,011	265,000	60,348	153,260	-
Total Revenues	168,865,208	884,551	266,485	153,260	-
EXPENDITURES					
Current:					
General government	28,886,456	-	-	-	-
Public safety	54,857,286	1,462,948	-	-	-
Utilities environment	-	-	-	-	-
Transportation	5,304,442	-	-	174,463	-
Economic environment	5,859,902	-	-	-	-
Mental and physical health	99,984	-	-	-	-
Culture and recreation	373,679	-	8,189,005	-	-
Capital outlays	330,407	-	877,305	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	95,712,156	1,462,948	9,066,310	174,463	-
Excess of Revenues Over (Under) Expenditures	73,153,052	(578,397)	(8,799,825)	(21,203)	-
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	(12,770)	-	500	-	-
Transfers in	50,000	578,397	8,970,397	-	-
Transfers out	(72,281,695)	-	-	(360,000)	-
Total Other Financing Sources (Uses)	(72,244,465)	578,397	8,970,897	(360,000)	-
Change in Fund Balance	908,587	-	171,072	(381,203)	-
Other Changes in Fund Balance					
Prior Period Adjustment	543,690	(6,800)	-	-	-
Fund Balance - beginning (restated)	33,680,228	166,946	465,976	499,938	390
Fund Balance - ending	\$ 35,132,505	\$ 160,146	\$ 637,048	\$ 118,735	\$ 390

Schedule for General Fund Accounts
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2014

continued

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	JTPA Private Industry Council	Cumulative Reserve
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous	4	3,860	3,106	-	-
Total Revenues	4	3,860	3,106	-	-
EXPENDITURES					
Current:					
General government	410	-	-	-	-
Public safety	149,223	-	-	-	-
Utilities environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	-	7,493	101	11,155	-
Mental and physical health	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlays	769,524	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	919,157	7,493	101	11,155	-
Excess of Revenues Over (Under) Expenditures	(919,153)	(3,633)	3,005	(11,155)	-
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	-
Transfers in	925,000	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	925,000	-	-	-	-
Change in Fund Balance	5,847	(3,633)	3,005	(11,155)	-
Other Changes in Fund Balance					
Prior Period Adjustment	20,000	-	-	-	-
Fund Balance - beginning (restated)	62,965	445,348	217,722	11,155	22,569
Fund Balance - ending	\$ 88,812	\$ 441,715	\$ 220,727	\$ -	\$ 22,569

Schedule for General Fund Accounts
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended December 31, 2014

	Concluded		
	Emergency Medical Services	Eliminations	Total
REVENUES			
Taxes	\$ 7,431,462	\$ -	\$ 144,212,210
Licenses and permits	367,170	-	6,559,707
Intergovernmental	26,641	-	4,904,281
Charges for services	1,060,487	-	14,996,191
Fines and forfeitures	168,780	-	3,429,036
Miscellaneous	39,977	-	5,169,566
Total Revenues	9,094,517	-	179,270,991
EXPENDITURES			
Current:			
General government	907,499	-	29,794,365
Public safety	43,499,898	-	99,969,355
Utilities environment	-	-	-
Transportation	-	-	5,478,905
Economic environment	-	-	5,878,651
Mental and physical health	-	-	99,984
Culture and recreation	-	-	8,562,684
Capital outlays	71,654	-	2,048,890
Debt service:			-
Principal	-	-	-
Interest	-	-	-
Total Expenditures	44,479,051	-	151,832,834
Excess of Revenues Over (Under) Expenditures	(35,384,534)	-	27,438,157
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	12,005	-	(265)
Transfers in	34,900,000	(45,373,794)	50,000
Transfers out	-	45,373,794	(27,267,901)
Total Other Financing Sources (Uses)	34,912,005	-	(27,218,166)
Change in Fund Balance	(472,529)	-	219,991
Other Changes in Fund Balance			
Prior Period Adjustment	-	-	556,890
Fund Balance - beginning (restated)	2,738,536	-	38,311,773
Fund Balance - ending	\$ 2,266,007	\$ -	\$ 39,088,654

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 133,463,000	\$ 134,063,000	\$ 136,759,381	\$ 2,696,381
Licenses and permits	5,889,000	5,889,000	6,192,537	303,537
Intergovernmental	5,186,874	5,386,874	4,874,169	(512,705)
Charges for services	12,852,236	12,852,236	13,314,665	462,429
Fines and forfeitures	2,969,500	2,969,500	3,080,445	110,945
Miscellaneous	3,514,000	4,854,000	4,644,011	(209,989)
Total resources	163,874,610	166,014,610	168,865,208	2,850,598
EXPENDITURES				
General government	29,002,584	29,187,362	28,886,456	300,906
Public safety	51,648,133	54,084,227	54,857,286	(773,059)
Utilities environment	-	-	-	-
Transportation	5,302,345	5,635,976	5,304,442	331,534
Economic environment	6,400,188	7,359,517	5,859,902	1,499,615
Mental and physical health	120,080	122,080	99,984	22,096
Culture and recreation	556,856	611,356	373,679	237,677
Capital outlay	85,000	385,337	330,407	54,930
Debt service:			-	-
Interest	10,000	10,000	-	10,000
Total expenditures	93,125,186	97,395,855	95,712,156	1,683,699
Excess resources over expenditures	70,749,424	68,618,755	73,153,052	4,534,297
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	(12,770)	(12,770)
Collection of revolving loans	-	-	-	-
Transfers in	209,000	209,000	50,000	(159,000)
Transfers out	(70,760,000)	(73,658,980)	(72,281,695)	1,377,285
Total other financing sources (uses)	(70,551,000)	(73,449,980)	(72,244,465)	1,205,515
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	198,424	(4,831,225)	908,587	5,739,812
Other changes in fund balance				
Prior period adjustment	543,690	543,690	543,690	-
Fund Balance - beginning (restated)	33,680,228	33,680,228	33,680,228	-
Fund Balance - ending	\$ 34,422,342	\$ 29,392,693	\$ 35,132,505	\$ 5,739,812

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Code Enforcement Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ 21,367	\$ 21,367
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,193,349	1,193,349	598,184	(595,165)
Fines and forfeitures	-	-	-	-
Miscellaneous	109,930	109,930	265,000	155,070
Total resources	1,303,279	1,303,279	884,551	(418,728)
EXPENDITURES				
General government	-	-	-	-
Public safety	1,783,749	1,864,599	1,462,948	401,651
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,783,749	1,864,599	1,462,948	401,651
Excess resources over expenditures	(480,470)	(561,320)	(578,397)	(17,077)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	476,257	476,257	578,397	102,140
Transfers out	-	-	-	-
Total other financing sources (uses)	476,257	476,257	578,397	102,140
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(4,213)	(85,063)	-	85,063
Other changes in fund balance				
Prior period adjustment	(6,800)	(6,800)	(6,800)	-
Fund Balance - beginning	166,946.0	166,946	166,946	-
Fund Balance - ending	\$ 155,933	\$ 75,083	\$ 160,146	\$ 85,063

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 5	\$ 5	\$ -	\$ (5)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	3,471	3,471
Charges for services	30,000	30,000	22,855	(7,145)
Fines and forfeitures	210,000	210,000	179,811	(30,189)
Miscellaneous	57,050	57,050	60,348	3,298
Total resources	297,055	297,055	266,485	(30,570)
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	8,124,476	8,296,476	8,189,005	107,471
Capital outlay	925,541	923,541	877,305	46,236
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	9,050,017	9,220,017	9,066,310	153,707
Excess resources over expenditures	(8,752,962)	(8,922,962)	(8,799,825)	123,137
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	500	500
Collection of revolving loans	-	-	-	-
Transfers in	8,923,397	8,923,397	8,970,397	47,000
Transfers out	-	-	-	-
Total other financing sources (uses)	8,923,397	8,923,397	8,970,897	47,500
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	170,435	435	171,072	170,637
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning (restated)	465,976	465,976	465,976	-
Fund Balance - ending	\$ 636,411	\$ 466,411	\$ 637,048	\$ 170,637

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Under Freeway Parking Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	141,821	141,821	153,260	11,439
Total resources	141,821	141,821	153,260	11,439
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	205,970	218,397	174,463	43,934
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	100,000	590	-	590
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	305,970	218,987	174,463	44,524
Excess resources over expenditures	(164,149)	(77,166)	(21,203)	55,963
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(360,000)	(360,000)	-
Total other financing sources (uses)	-	(360,000)	(360,000)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(164,149)	(437,166)	(381,203)	55,963
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning	499,938	499,938	499,938	-
Fund Balance - ending	\$ 335,789	\$ 62,772	\$ 118,735	\$ 55,963

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Parking Facilities Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total resources	-	-	-	-
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess resources over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning	390	390	390	-
Fund Balance - ending	\$ 390	\$ 390	\$ 390	\$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Municipal Art Project Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total resources	-	-	-	-
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess resources over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning (restated)	-	-	-	-
Fund Balance - ending	\$ -	\$ -	\$ -	\$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Improvement Program Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	4	4
Total resources	-	-	4	4
EXPENDITURES				
General government	-	-	410	(410)
Public safety	-	-	149,223	(149,223)
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	925,000	925,000	769,524	155,476
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	925,000	925,000	919,157	5,843
Excess resources over expenditures	(925,000)	(925,000)	(919,153)	5,847
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	925,000	925,000	925,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	925,000	925,000	925,000	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	5,847	5,847
Other changes in fund balance				
Prior period adjustment	20,000	20,000	20,000	-
Fund Balance - beginning (restated)	62,965	62,965	62,965	-
Fund Balance - ending	\$ 82,965	\$ 82,965	\$ 88,812	\$ 5,847

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Hope Acquisition Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	2,700	2,700	3,860	1,160
Total resources	2,700	2,700	3,860	1,160
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	25,900	25,900	7,493	18,407
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	25,900	25,900	7,493	18,407
Excess resources over expenditures	(23,200)	(23,200)	(3,633)	19,567
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(23,200)	(23,200)	(3,633)	19,567
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning (restated)	445,348	445,348	445,348	-
Fund Balance - ending	\$ 422,148	\$ 422,148	\$ 441,715	\$ 19,567

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Housing Trust Grant Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	1,680	1,680	3,106	1,426
Total resources	1,680	1,680	3,106	1,426
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	101	(101)
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	101	(101)
Excess resources over expenditures	1,680	1,680	3,005	1,325
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,680	1,680	3,005	1,325
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning (restated)	217,722	217,722	217,722	-
Fund Balance - ending	\$ 219,402	\$ 219,402	\$ 220,727	\$ 1,325

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
JTPA Private Industry Council Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total resources	-	-	-	-
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	11,155	(11,155)
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	11,155	(11,155)
Excess resources over expenditures	-	-	(11,155)	(11,155)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	(11,155)	(11,155)
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning (restated)	11,155	11,155	11,155	-
Fund Balance - ending	\$ 11,155	\$ 11,155	\$ -	\$ (11,155)

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Cumulative Reserve Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total resources	-	-	-	-
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess resources over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Collection of revolving loans	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning	22,569	22,569	22,569	-
Fund Balance - ending	\$ 22,569	\$ 22,569	\$ 22,569	\$ -

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Emergency Medical Services Fund
For the Fiscal Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 7,340,000	\$ 7,340,000	\$ 7,431,462	\$ 91,462
Licenses and permits	296,500	296,500	367,170	70,670
Intergovernmental	-	30,000	26,641	(3,359)
Charges for services	550,000	750,000	1,060,487	310,487
Fines and forfeitures	115,000	115,000	168,780	53,780
Miscellaneous	53,500	53,500	39,977	(13,523)
Total resources	8,355,000	8,585,000	9,094,517	509,517
EXPENDITURES				
General government	638,182	652,751	907,499	(254,748)
Public safety	43,114,293	43,784,959	43,499,898	285,061
Transportation	134,627	139,927	-	139,927
Economic environment	-	-	-	-
Mental and physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	326,517	71,656	71,654	2
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	44,213,619	44,649,293	44,479,051	170,242
Excess resources over expenditures	(35,858,619)	(36,064,293)	(35,384,534)	679,759
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	12,005	12,005
Collection of revolving loans	-	-	-	-
Transfers in	34,900,000	34,900,000	34,900,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	34,900,000	34,900,000	34,912,005	12,005
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(958,619)	(1,164,293)	(472,529)	691,764
Other changes in fund balance				
Prior period adjustment	-	-	-	-
Fund Balance - beginning	2,738,536	2,738,536	2,738,536	-
Fund Balance - ending	\$ 1,779,917	\$ 1,574,243	\$ 2,266,007	\$ 691,764

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

City of Spokane Spokane County January 1, 2014 through December 31, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the City of Spokane.

Finding ref number: 2014-001	Finding caption: The City did not have adequate internal controls in place to ensure accurate reporting of its financial statements or the Schedule of Expenditures of Federal Awards.
Name, address, and telephone of auditee contact person: Gavin Cooley W. 808 Spokane Falls Blvd. Spokane WA 99201 (509) 625-6586	
Corrective action the auditee plans to take in response to the finding: <i>The City is committed to 100 percent accuracy in the preparation of its financial statements and, although the errors noted in this finding were generally classification errors, we will work immediately and diligently to address this situation as follows:</i> <ul style="list-style-type: none"> • <i>Purchase and implement an information technology tool that helps mitigate errors in the preparation of the financial statements.</i> • <i>The city has hired new staff in two key positions and will add additional staff during year end, which will provide the necessary resources to improve the preparation and review of our financial statements.</i> • <i>Ensure that key staff responsible for the preparation of the financial statements receive additional training.</i> <p><i>Discussion of each item noted in the finding follows, including proposed corrective actions with respect to the error in the SEFA:</i></p> <p><u><i>Net Pension Obligation</i></u> <i>GASB Statement 27 became effective in 1998, and we appreciate SAO bringing this to our attention this year. The City is prepared to fully and accurately implement GASB Statement 68,</i></p>	

Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27, for the 2015 audit.

Water/Sewer Fund Net Position

The net impact to the city's government wide financial statements and the proprietary funds financial statements was zero.

Tax Increment Purchase and Sale Agreement

This was disclosed in the footnotes rather than being displayed on the face of the financial statements. The net impact to the City's government wide financial statements was zero.

SEFA

The City acknowledges the error in the SEFA and will implement the following corrective action plan to address the auditor's concerns:

- Enhanced communication with and oversight by the City's Grants Management and Financial Assistance Department.*
- The City hired a Grants and Contracts Financial Assistance Manager position who will oversee the preparation of the SEFA.*
- Additional OMB Circular A-133 training will be sought for accounting staff that are directly related to grant accounting.*

Anticipated date to complete the corrective action: December 31, 2015

ABOUT THE STATE AUDITOR'S OFFICE

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

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