



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report **Spokane County**

**For the period January 1, 2015 through December 31, 2015**

**Published September 26, 2016**

**Report No. 1017551**





## Washington State Auditor's Office

September 26, 2016

Board of Commissioners  
Spokane County  
Spokane, Washington

### **Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Spokane County January 1, 2015 through December 31, 2015

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Spokane County are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
97.067	Homeland Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The County did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Spokane County  
January 1, 2015 through December 31, 2015**

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

<b>Audit Period:</b> January 1, 2014 through December 31, 2014.	<b>Report Ref. No.:</b> 1015198	<b>Finding Ref. No.:</b> 2014-001	<b>CFDA Number(s):</b> 97.067
<b>Federal Program Name and Granting Agency:</b> U.S. Department of Homeland Security		<b>Pass-Through Agency Name:</b> Washington State Military Department	
<b>Finding Caption:</b> The County did not have internal controls in place to ensure compliance with Federal allowable cost and subrecipient monitoring requirements.			
<b>Background:</b> <b>Allowable Cost Principles</b> Two employees charged salary and benefits to the grant. We reviewed payroll transactions to determine whether salaries and benefits charged to federal grants were supported by adequate time and effort documentation, as required by federal regulations. We found concerns with one employee’s time and effort documentation.  The Program Manager charges time to several grants each month (multiple cost objective) and also produces a certified payroll document. However, the certified payroll document is prepared based on time estimates from activities recorded on a monthly calendar. The calendar does not account for the total work activities the Program Manager is compensated for and the certified payroll document does not reflect actual activity as required by federal regulations.  We consider this weakness in internal controls to be a significant deficiency.			
<b>Subrecipient Monitoring</b> The County has an inter-local agreement with each of the other subrecipient counties within Region 9. The inter-local agreement and federal regulations require the County to monitor the nine counties grant activities for compliance with the terms of the agreement and other federal requirements such as obtaining a federal compliance audit if required and ensuring audit findings, if any, are resolved timely. The County did not do so.  We consider this internal control deficiency to be a material weakness.			
<b>Status of Corrective Action: (check one)</b> <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:**

*In order to address the compliance issue related to time certifications for the U.S. Department of Homeland Security grant, Spokane County created a time distribution report and a time and effort certification. These reports reflect an after-the-fact distribution of the actual activity of any County employee who either performs multiple activities; works on more than one Federal grant award; works on a Federal grant award and a non-Federal award; works on an indirect activity and a direct cost activity; works on an unallowable activity and a direct or indirect cost activity. The time distribution report accounts for the total activity for which the employee is compensated. This report is completed and signed by employee every two weeks. The time distribution report is attached to the time and effort certification which sets forth the break out by activity, time and percentage the employee's time is charged to the grant. The time and effort certification is completed every two weeks and is signed by the employee. The time distribution reports as well as the time and effort certifications are submitted to the Spokane County Grants Analyst after each pay period for review as to accuracy and federal compliance. The time distribution report and the time and effort certification were implemented by Spokane County on August 18, 2015.*

*In order to address the compliance issue related to subrecipient monitoring for the U.S. Department of Homeland Security, Spokane County notified all subrecipients that billing would no longer be processed without supporting backup. In addition, Spokane County created a revised monitoring tool to assist in the compliance monitoring of the subrecipients. The monitoring tool focused on ensuring compliance by reviewing financial and performance reports; evidence of completion of Agreement deliverables; documentation of phone calls, meetings, e-mails and correspondence, and review of reimbursement requests and supporting documentation to ensure allowability and consistency. On October 28<sup>th</sup>, the Spokane County Grants Administrator and the Spokane County Grants and Contract Specialist met with each of the nine County Emergency Management representatives to begin the subrecipient monitoring. A monitoring report was completed on each of the subrecipients, provided to recipient, signed and returned. By December 21, 2015, all nine County subrecipient audits were completed.*

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

**Spokane County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Spokane County  
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Spokane County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2016. As discussed in Note 22 to the financial statements, during the year ended December 31, 2015, the County implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB 68*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be



prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

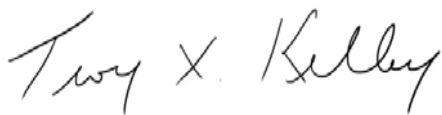
## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 15, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Spokane County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Spokane County  
Spokane, Washington

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

We have audited the compliance of Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

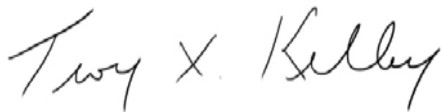
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 15, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Spokane County** **January 1, 2015 through December 31, 2015**

Board of Commissioners  
Spokane County  
Spokane, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Spokane County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 17.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Spokane County, as of December 31, 2015, 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 22 to the financial statements, in 2015, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68*. 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 19 through 36, budgetary comparison information on pages 108 through 110, information on postemployment benefits other than pensions on pages 111 through 114 and pension plan information on pages 115 through 116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

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

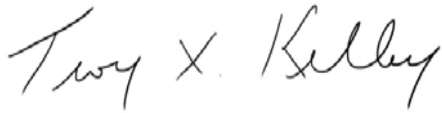
### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

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

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 15, 2016



## FINANCIAL SECTION

### Spokane County January 1, 2015 through December 31, 2015

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Reconciliation of the Statement of Net Position Proprietary Funds to the Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities – 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

#### REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund – 2015

Budgetary Comparison Schedule County Road – 2015

Budgetary Comparison Schedule Community Services Mental Health – 2015

Schedule of Funding Progress – 2015

Schedule of Employer Contributions – 2015

Notes to Required Supplemental Information Other Post Employment Benefit (OPEB)  
Plans – 2015

Schedule of County Pension Contributions – 2015

Schedule of the County's Proportionate Share of the Net Pension Liability – 2015

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Spokane County's discussion and analysis provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2015. The intent of this management discussion and analysis is to look at the County financial performance as a whole. We encourage readers to consider the information contained in this discussion in conjunction with additional information provided in our letter of transmittal, financial statements, and notes to the financial statements to enhance their understanding of the County's financial performance.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

Government-wide statements are designed to provide readers with a broad overview of the County's finances in a manner similar to that of a private-sector business.

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

The Statement of Net Position presents information on all of the County's assets and deferred outflows, liabilities and deferred inflows, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The Statement of Activities presents information showing changes in the County's net position during the most recent fiscal year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes and other sources for funding. This statement can also be a good indicator of which functions the County spends most of its resources.

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

The governmental activities of the County include a full range of local government services provided to the public. These activities include law enforcement, the court system (superior, juvenile, and district courts), legal prosecution and indigent defense, road construction and

maintenance, community planning and development, parks and open space preservation, and health and human services. In addition, other general government services are provided such as elections, property assessment, tax collection, and the issuance of permits and licenses. Governmental activities also include the County's internal services, which largely serve the County. These internal services charge user fees and are self-supporting. County internal services include equipment rental and revolving, information technology, risk management, self-insurance activities, public works administration, and detention services.

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, County Road Fund, and Community Services Mental Health Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregate presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements.

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

### **Proprietary Funds**

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

The proprietary fund financial statements provide separate information for the Sewer Enterprise fund, which is considered to be a major fund. Data from the remaining enterprise funds are combined into a single, aggregated presentation on the proprietary fund financial statements. Internal services funds are aggregated and shown in a separate column to the right of the enterprise funds total column on the proprietary funds financial statements. Proprietary fund statements follow the governmental fund statements. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting.

### **Fiduciary Funds**

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

The required supplementary information section provides additional information on three areas: 1) budgetary comparison schedules for the General Fund and all major special revenue funds,

2) schedules required for other post-employment benefits, and 3) schedules required for pension benefits. The required supplementary information can be found immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the government-wide Statement of Net Position:

**Spokane County, Washington**  
**Statement of Net Position**  
**December 31, 2015**  
**(in thousands)**

	Governmental Activities		Business-type Activities		Total		
	2015	2014	2015	2014	2015	2014	% Change
<b>Assets:</b>							
Current assets	\$ 170,091	\$ 164,341	\$ 177,387	\$ 176,417	\$ 347,478	\$ 340,758	2.0%
Restricted assets	38,073	42,361	55,406	58,708	93,478	101,070	-7.5%
Capital assets	251,863	250,631	514,780	522,429	766,643	773,060	-0.8%
Noncurrent assets	40,636	29,720	494	903	41,130	30,624	34.3%
Total assets	500,663	487,054	748,066	758,457	1,248,729	1,245,511	0.3%
Deferred outflows of resources	10,278	251	2,152	1,454	12,430	1,705	629.1%
<b>Liabilities:</b>							
Current liabilities	46,895	38,725	20,665	29,132	67,559	67,858	-0.4%
Long-term liabilities	135,704	67,299	266,132	273,966	401,836	341,266	17.7%
Total liabilities	182,599	106,025	286,796	303,098	469,395	409,123	14.7%
Deferred inflows of resources	14,487	481	1,143	-	15,631	481	3148.8%
<b>Net position:</b>							
Net investment in capital assets	217,593	210,421	268,071	261,941	485,664	472,362	2.8%
Restricted	97,411	103,977	53,624	58,202	151,035	162,178	-6.9%
Unrestricted	(1,150)	66,401	140,583	136,670	139,434	203,071	-31.3%
Total net position	\$ 313,854	\$ 380,799	\$ 462,278	\$ 456,813	\$ 776,133	\$ 837,611	-7.3%

2014 current/noncurrent assets restated to include re-class of notes/contracts receivable.

### Financial Highlights

- **Pension.** As explained in Note 7 Pension Plans, in 2015 Spokane County implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, (GASB 68). This statement requires entities who participate in a cost-sharing benefit plan to recognize pension liabilities, expenses, deferred outflows of resources, and deferred inflows of resources. This implementation had a significant impact on the financial statements.
- **Net position.** Total net position decreased by \$61.5 million or 7.3 percent. The implementation of GASB 68 had a negative effect on unrestricted net position of approximately \$75.8 million.
- **Investment in capital assets.** The largest portion of Spokane County's net position (62.6 percent) reflects its investment in capital assets less any outstanding related debt used to acquire those assets. This is a slight increase over 2014. The County's capital assets are

used to provide services to citizens: consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

- **Restricted net position.** This represents assets that the County holds that are required to be spent for a specific purpose by outside sources and/or enabling legislation, debt covenants, and long-term loan receivables that are not subject to appropriation. Restricted position declined to \$151.0 million in 2015, a decline of 6.9 percent. The decline was split approximately 59 percent to governmental activities and 41 percent to business activities. The reason for the decline is discussed below in Governmental Activities.
- **Unrestricted net position.** In 2015 the County's unrestricted position was \$139.4 million. These are funds that may be used to support the County's ongoing obligations to citizens and creditors. The change from 2014 is a decline of 31.3 percent or \$63.6 million, primarily due to GASB 68 implementation.

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

**Impact of GASB 68 on  
Statement of Net Position  
(in thousands)**

	Governmental Activities	Business-type Activities	Total
Noncurrent assets	9,165	-	9,165
Deferred outflows of resources	10,059	849	10,908
Long-term liabilities	73,411	7,403	80,814
Deferred inflows of resources	13,928	1,143	15,072
Net position unrestricted	(68,115)	(7,698)	(75,813)

**Governmental Activities**

- Restricted assets saw a decline of \$4.3 million, 10.1 percent. The majority of this change came from a decline in Community Services as a result of increased spending on Medicaid eligible individuals from the reserves created in 2014 when the Affordable Health Care Act went into effect.
- Noncurrent assets increased \$10.9 million or 36.7 percent. The majority of this change is due to the implementation of GASB 68.
- Long-term liabilities increased \$68.4 million or 101.6 percent. The majority of the change is due to the implementation of GASB 68.
- Restricted net position decreased \$6.6 million to \$97.4 million. This was due to payment of debt as well as a decrease in reserves in Community Services as discussed above.
- Unrestricted net position was negative (\$1.2) million at year end 2015, a decline of \$67.6 million. The effect from the pension accounting change was (\$68.1) million.

**Business-Type Activities**

- Deferred outflow of resources and deferred inflows of resources saw increases due to the implementation of GASB 68.
- Current liabilities declined \$8.5 million attributable to the 2015 payment for the Solid Waste facility purchased at the end of 2014.

- Long-term liabilities most significant changes were a decrease in outstanding bond debt of \$12.8 million offset by an increase in pension liabilities of \$7.4 million.
- Restricted net position decreased \$4.6 million due to payment of debt.

### Statement of Activities

The Statement of Activities can be used to determine if County services are operating efficiently or if they are too reliant on general revenues. It can also be a good indicator of which functions the County spends most of its resources. The following is a summary of the changes in net position from the Statement of Activities:

### Spokane County, Washington Statement of Activities December 31, 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 164,567	\$ 157,559	\$ 58,458	\$ 48,374	\$ 223,025	\$ 205,933
Operating grants and contributions	34,084	32,478	1,522	6,134	35,605	38,612
Capital grants and contributions	8,462	4,752	10,069	11,021	18,532	15,773
General revenues:						
Property taxes	80,074	71,407	-	-	80,074	71,407
Other taxes	74,030	69,787	62	63	74,093	69,850
Penalties and interest	3,924	4,578	-	-	3,924	4,578
Investment earnings	2,265	2,738	4,210	5,040	6,475	7,778
Gain (loss) on disposal of capital assets	358	(62)	18	31	376	(31)
Total revenue	<u>367,764</u>	<u>343,237</u>	<u>74,339</u>	<u>70,662</u>	<u>442,103</u>	<u>413,899</u>
Program expenses:						
Governmental activities:						
General government	46,617	46,566	-	-	46,617	46,566
Judicial services	14,475	14,164	-	-	14,475	14,164
Public safety	105,962	101,168	-	-	105,962	101,168
Physical environment	-	-	-	-	-	-
Transportation	36,598	40,630	-	-	36,598	40,630
Economic environment	7,089	6,791	-	-	7,089	6,791
Health and human services	133,522	101,359	-	-	133,522	101,359
Culture and recreation	5,044	4,905	-	-	5,044	4,905
Interest on long term debt	2,056	2,290	-	-	2,056	2,290
Business-type activities:						
Sewer utility	-	-	41,546	41,694	41,546	41,694
Other enterprise funds	-	-	27,898	18,976	27,898	18,976
Total expenses	<u>351,363</u>	<u>317,874</u>	<u>69,444</u>	<u>60,670</u>	<u>420,807</u>	<u>378,544</u>
Change in net position, before transfers	16,402	25,363	4,895	9,992	21,297	35,355
Transfers	(8,441)	(2,424)	8,441	2,424	-	-
Change in net position	<u>7,961</u>	<u>22,939</u>	<u>13,336</u>	<u>12,416</u>	<u>21,297</u>	<u>35,355</u>
Net position, January 1	380,799	357,789	456,813	430,389	837,611	788,178
Prior period adjustments	(74,905)	70	(7,870)	14,007	(82,775)	14,078
Restated net position	<u>305,894</u>	<u>357,860</u>	<u>448,943</u>	<u>444,396</u>	<u>754,836</u>	<u>802,256</u>
Net position, December 31	<u>\$ 313,854</u>	<u>\$ 380,799</u>	<u>\$ 462,278</u>	<u>\$ 456,813</u>	<u>\$ 776,133</u>	<u>\$ 837,611</u>



## Financial Highlights

- The County's total net position of \$776.1 million decreased by \$61.5 million. This decrease is the net effect of an increase in business-type activities of \$5.5 million and a decrease of \$67.0 million in governmental activities. As explained previously the most significant aspect of the decline was the implementation of GASB 68.

## Governmental Activities

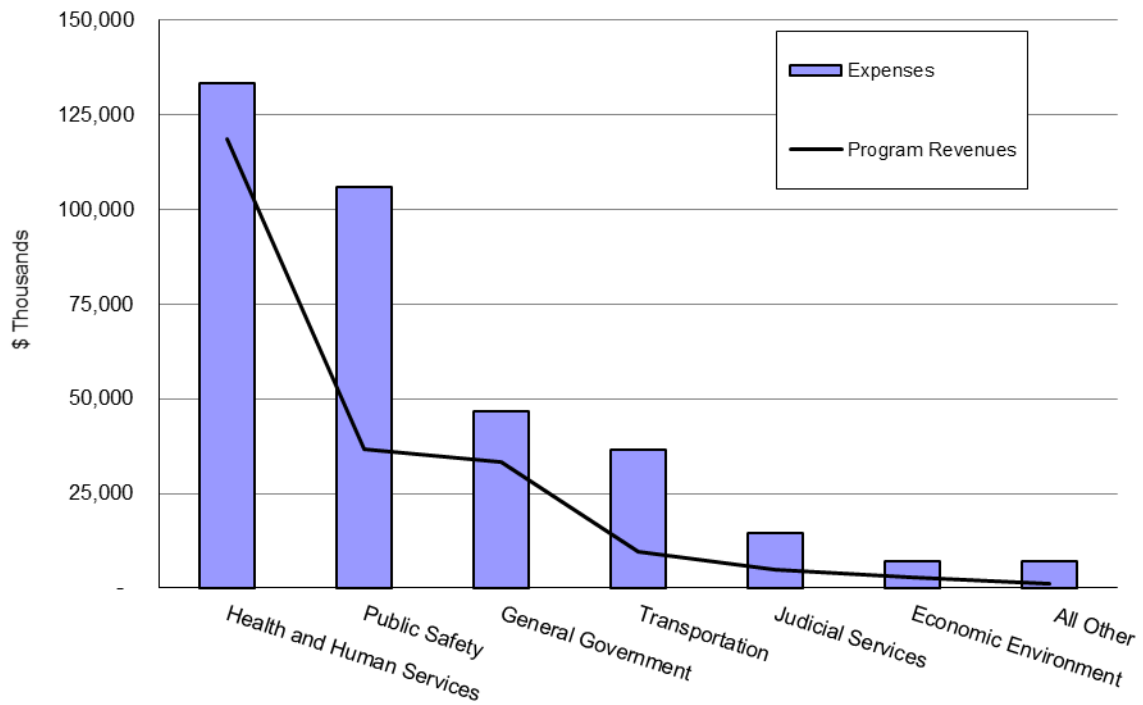
- Charges for services totaled \$164.6 million, an increase of \$7.0 million or 4.4 percent. This increase was due to:
  - Increased sheriff service billings to outside entities
  - Increased Community Service charges from additional Medicaid eligible individuals
  - Increased volume of recorded documents
  - Increased motor vehicle license registrations from a high volume of Canadian customers
  - Increased election services for other jurisdictions during the year

Many of these increases were one-time occurrences.

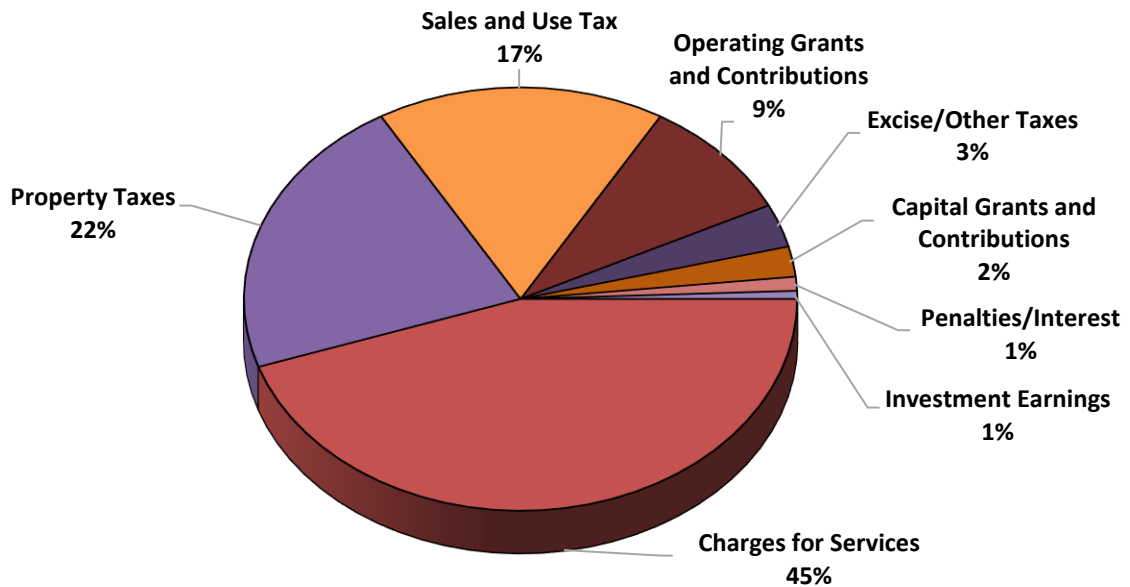
- Capital grants and contributions increased \$3.7 million. Much of this was attributable to an increase in federal grants received by the Roads Fund.
- General revenues saw significant increases in property and other taxes.
  - Increasing property values combined with a levy rate increase attributed to a \$2.7 million increase in property tax revenue. Additionally, \$5.9 million of property tax revenue came in as a property tax shift, which was then transferred out to support Solid Waste.
  - An increase in taxable retail sales contributed to \$3.0 million of the sales tax increase. This was attributed to an improving economy.
- Program expenses increased \$33.5 million, or 10.5 percent. This increase was due to:
  - Increased cost of health and human services from increased costs paid to medical providers. There was a delay in spending related to increases in Medicaid eligible individuals who enrolled in health plans in 2014 after the implementation the Affordable Care Act.
  - Increased public safety costs primarily from increased costs of incarceration as well as an increase in the County's percentage of the population incarcerated.
  - Decreased transportation costs. Savings were generated from decreased costs for fuel and road materials, milder weather conditions, and volume of projects.
- Prior period adjustments were primarily due to the implementation of GASB 68. See Note 21 for further detail.

The charts below illustrate the County's expenses and program revenues by function and revenues by source for its governmental activities:

### Expenses and Program Revenues – Governmental Activities



### Revenue by Source – Governmental Activities

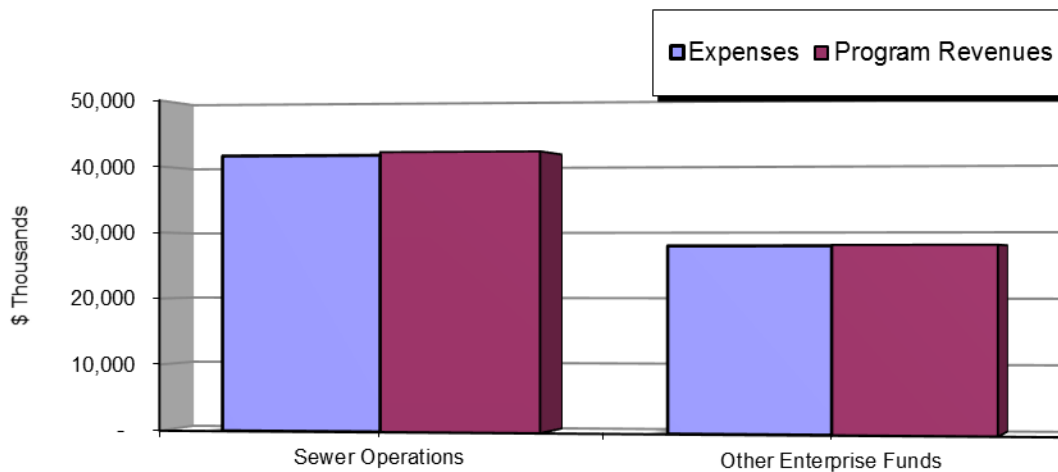


### Business-Type Activities

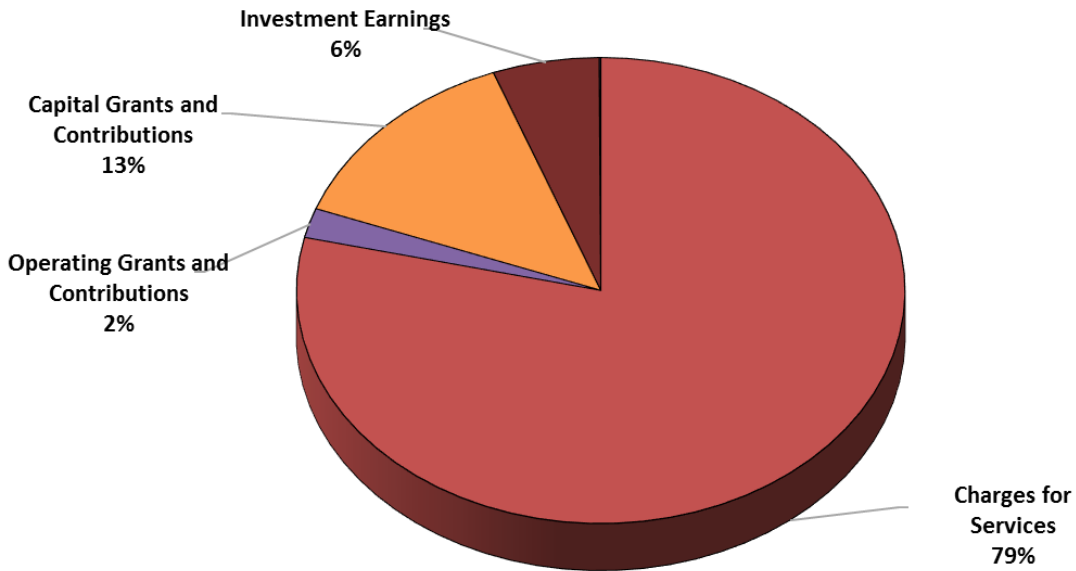
- Charges for services increased \$10.1 million. Just over \$9.0 million of the increase came from Solid Waste Facilities. The County purchased Solid Waste facilities from the City of Spokane and began operations in mid-November 2014. Charges for services in 2015 contained a full year of operations, compared to just over a month in the prior year.
- Operating grants and contributions decreased by \$4.6 million. The majority of this was due to a grant from the Department of Ecology for septic tank elimination that ended in 2014.
- Program expenses in business type activities increased \$8.8 million. This is attributable to the change in Solid Waste activity as described above.
- Prior period adjustments in 2015 relate primarily to GASB 68. See Note 21 for further information.

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

### Expenses and Program Revenues – Business-type Activities



**Revenues by Source – Business-type Activities**



**FINANCIAL ANALYSIS OF MAJOR COUNTY FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related budgetary and legal requirements.

**General Fund**

The General Fund is the County’s primary operating fund. In 2015, fund balance of the General Fund increased by \$2.0 million. Total fund balance at December 31, 2015 was \$45.8 million compared to \$43.8 million at the end of the prior year. The majority of the restricted fund balance is from fund level loan receivables from the Health Sciences and Services Authority and the Public Facilities District. As these loans are repaid the restricted fund balance will decrease. The unassigned fund balance increase is due to a \$2.1 million increase in sales tax receipts in addition to decreases in restrictions. As a measure of the General Fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. General Fund unassigned fund balance represented 15.2 percent of total general fund expenditures. Expenditures increased by \$5.0 million in 2015.

The following table illustrates fund balance over the last five years:

**General Fund  
Fund Balance History  
(in thousands)**

	2011	2012	2013	2014	2015
Restricted	\$ 13,494	\$ 27,403	\$ 25,923	\$ 24,733	\$ 23,258
Committed	832	858	438	412	400
Unassigned	17,088	15,863	16,416	18,641	22,143
<b>Total fund balance</b>	<b>\$ 31,415</b>	<b>\$ 44,124</b>	<b>\$ 42,777</b>	<b>\$ 43,786</b>	<b>\$ 45,800</b>

Revenue and expenditures along with change in fund balance for the last two years are as follows:

**General Fund  
Summary Statement of Revenues, Expenditures and Changes in Fund Balance  
(in thousands)**

Revenues:	2015	2014	Change	% Change
Property and other taxes	\$ 54,890	\$ 47,548	\$ 7,343	15.4%
Sales tax	40,483	38,349	2,134	5.6%
Licenses and permits	1,193	1,146	46	4.0%
Intergovernmental	11,165	11,323	(158)	-1.4%
Charges for services	35,681	32,491	3,190	9.8%
Fines and forfeits	7,087	7,286	(200)	-2.7%
Interest	1,268	1,280	(12)	-0.9%
Other miscellaneous revenue	707	1,149	(442)	-38.5%
	<u>152,473</u>	<u>140,572</u>	<u>11,902</u>	<u>8.5%</u>
Other financing sources	3,052	2,798	255	9.1%
Total funding sources	<u>155,526</u>	<u>143,369</u>	<u>12,156</u>	<u>8.5%</u>
Expenditures:				
General government	42,121	41,335	785	1.9%
Judicial	13,912	13,549	363	2.7%
Public safety	77,437	74,123	3,314	4.5%
Transportation	6	5	1	20.0%
Economic environment	735	714	21	2.9%
Health and human services	4,334	4,217	117	2.8%
Culture and recreation	2,645	2,529	116	4.6%
Debt service:				
Principal outlay	1,754	1,684	70	4.1%
Interest expenditure	1,115	1,161	(46)	-4.0%
Capital outlay	1,786	1,573	213	13.6%
	<u>145,844</u>	<u>140,889</u>	<u>4,954</u>	<u>3.5%</u>
Other financing uses	7,667	1,471	6,196	421.1%
Total expenditures and transfers out	<u>153,511</u>	<u>142,361</u>	<u>11,150</u>	<u>7.8%</u>
Net change in fund balance	<u>\$ 2,014</u>	<u>\$ 1,008</u>	<u>\$ 1,006</u>	<u>99.8%</u>

Discussion of the major changes from the prior year is as follows:

- **Property and other taxes.** Increasing property values combined with a 1 percent levy rate increase attributed to a \$1.4 million increase in property tax revenue. Additionally, \$5.9 million of property tax revenue came in as a property tax shift, which was then transferred out to support Solid Waste.
- **Sales tax.** The 5.6 percent increase is due to increased taxable retail sales attributed to an improving economy. Refer to economic indicators section for further details.
- **Charges for services.** The 9.8 percent increase is primarily due to an increase in sheriff services billed to outside entities, recorded documents, motor vehicle licensing, and election

services for other jurisdictions. Most of these increases to charges for services are due to one-time occurrences.

- **Public safety.** The 4.5 percent change is due to increases in incarceration costs as well as an increase in the County's share of the population incarcerated.
- **Other Financing Uses.** As mentioned above, the tax shift was transferred out to Solid Waste.

### General Fund Budgetary Highlights

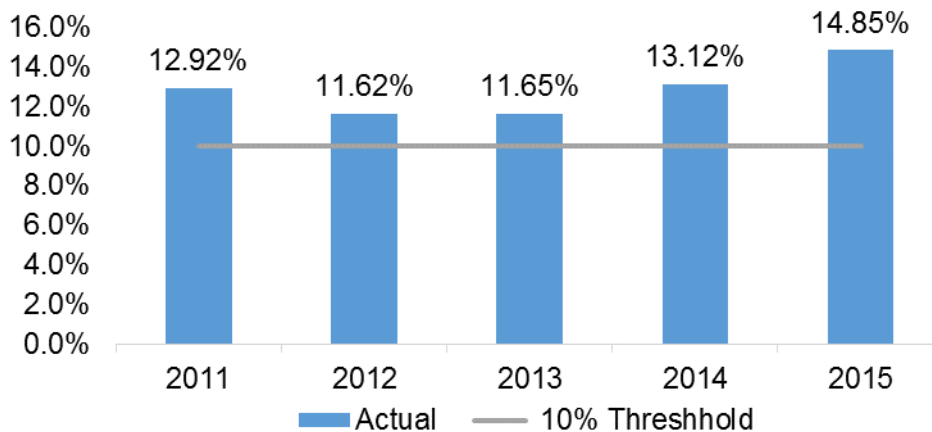
Spokane County adopts an annual General Fund budget. Changes to the original budget are made to reflect changes in budgetary policy during the year. Overall modifications to the original General Fund budget in 2015 resulted in minor increases in budgeted revenues of 0.3 percent and in budgeted expenditures of 2.9 percent.

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

In 2015, actual General Fund revenue was \$3.4 million over budget and actual expenditures were \$3.7 million under budget. The combined effect resulted in a \$7.1 million positive variance to the budgeted ending fund balance for the General Fund. All major departments' actual expenditures came in under budget. The largest variances between final budget and actual were in general government and public safety. All came in significantly under budget.

The General Fund budget target is to maintain a 10 percent minimum budgetary unassigned fund balance as a percentage of revenues. The chart below illustrates unassigned fund balance as percentage of budgeted revenue over the last five years.

**Unassigned Fund Balance as Percentage of Budgeted Revenue**



## Road Fund

The County Road Fund accounts for the maintenance and operations of the public roads and bridges of the County. At the end of 2015, fund balance of the County Road Fund was \$9.9 million, an increase of \$1.4 million from the prior year.

A comparison of results of operations for the Road Fund are as follows:

### County Road Summary of Revenues, Expenses, and Changes in Fund Balance (in thousands)

	2015	2014	Change	% Change
Revenues/sources	\$ 38,777	\$ 36,084	\$ 2,693	7.5%
Expenditures/uses	35,887	35,317	570	1.6%
Revenues/sources over Expenditures/uses (under)	2,890	767	2,123	276.8%
Fund balance, beginning of year	7,051	7,783	(732)	-9.4%
Fund balance, end of year	\$ 9,940	\$ 8,551	\$ 1,389	16.2%

## Financial Highlights

- The majority of the operating revenue change is the result of a \$2.1 million increase in federal grants and a \$685 thousand increase in property tax revenue.
- Expenditures increased primarily due to capital outlay activity. This was offset by decreased expenditures for maintenance and operations generated by savings from decreased costs in fuel and road materials, milder weather conditions, and volume of projects.

## Community Services Mental Health Fund

The Community Services Mental Health Fund accounts for programs that provide for the care and treatment of the mentally ill and those with developmental disabilities. Funding is received through state and federal grants and contracts along with sales and property tax. At the end of 2015, fund balance was \$42.3 million, a decrease of \$2.7 million from the prior year. Mental Health saw an increase in revenues followed by a greater increase in expenditures causing the overall decrease in fund balance.

A comparison of results of operations for the Community Services Mental Health Fund are as follows:

**Community Services Mental Health  
Summary of Revenues, Expenses, and Changes in Fund Balance  
(in thousands)**

	2015	2014	Change	% Change
Revenues/sources	\$112,334	\$107,893	\$ 4,441	4.1%
Expenditures/uses	115,066	85,356	29,710	34.8%
Revenues/sources over Expenditures/uses (under)	(2,732)	22,537	(25,269)	-112.1%
Fund balance, beginning of year	45,063	22,525	22,538	100.1%
Fund balance, end of year	<u>\$ 42,331</u>	<u>\$ 45,063</u>	<u>\$ (2,732)</u>	-6.1%

**Financial Highlights**

- The Affordable Health Care Act went into effect on January 1, 2014, which created an increase in Medicaid eligible individuals and therefore increased the revenues.
- 2015 saw an increase in health and human services costs as payments to medical providers increased. This was due to a delay in spending related to the increased number of eligible consumers enrolled in health plans starting in 2014.

**Sewer Operation Fund**

The Sewer Enterprise Fund provides sewer services to residents in the unincorporated county, the Town of Millwood, the City of Spokane Valley, and some residents in the City of Liberty Lake, but not for other incorporated areas within Spokane County. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, repair and replacement, construction and related debt service. The primary source of operating revenue is service charges collected from residential and commercial customers using sewer services. At the end of 2015, net position was \$435.0 million, an increase of \$2.3 million from the prior year.



A comparison of results of operations for the Sewer Operation Fund are as follows:

**Sewer Operations Fund**  
**Summary of Revenues, Expenses, and Changes in Net Position**  
(in thousands)

	2015	2014	Change	% Change
Operating revenues	\$ 32,837	\$ 32,451	\$ 386	1.2%
Nonoperating revenues	6,526	10,929	(4,403)	-40.3%
Total revenues	<u>39,363</u>	<u>43,380</u>	<u>(4,017)</u>	<u>-9.3%</u>
Operating expenses	18,991	18,939	52	0.3%
Depreciation	11,945	11,727	218	1.9%
Nonoperating expenses	10,610	11,029	(419)	-3.8%
Total expenses	<u>41,546</u>	<u>41,695</u>	<u>(149)</u>	<u>-0.4%</u>
Income (loss) before transfers and contributions	(2,182)	1,686	(3,868)	-229.4%
Transfers (net)	500	500	-	0.0%
Capital contributions	<u>6,662</u>	<u>7,473</u>	<u>(811)</u>	<u>-10.9%</u>
Change in net position	4,980	9,659	(4,679)	-48.4%
Beginning net position	432,764	409,098	23,666	5.8%
Prior period adjustments	<u>(2,712)</u>	<u>14,007</u>	<u>(16,719)</u>	<u>-119.4%</u>
Ending net position	<u>\$435,032</u>	<u>\$432,764</u>	<u>\$ 2,268</u>	<u>0.5%</u>

**Financial Highlights**

- The majority of the nonoperating revenue change is attributed to a \$3.7 million decrease in intergovernmental services from a state grant which ended in 2014.
- Developer-driven capital contributions decreased \$811 thousand to \$6.7 million in 2015.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Spokane County's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$766.6 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, intangibles, park facilities, road and bridge systems, storm water and sewer lines, wastewater treatment capacity rights, and construction in progress. Additional information on County capital assets can be found in Note 5 to the financial statements.

The following is a summary of net investment in capital assets:

**Spokane County Capital Assets  
(Net of accumulated depreciation)  
(in thousands)**

	Governmental Activities		Business-type Activities		Total Activities	
	2015	2014	2015	2014	2015	2014
Land	\$ 55,896	\$ 55,465	\$ 12,528	\$ 12,325	\$ 68,424	\$ 67,790
Depleted land	2,168	2,009	-	-	2,168	2,009
Building and structures	65,200	65,243	186,880	190,535	252,081	255,778
Other improvements	73,025	76,344	302,888	309,544	375,913	385,888
Machinery and equipment	32,679	33,580	2,633	3,013	35,312	36,593
Intangible assets	1,513	2,343	1,493	1,646	3,006	3,988
Construction in progress	21,381	15,647	8,358	5,367	29,739	21,014
<b>Total capital assets</b>	<b>\$ 251,862</b>	<b>\$ 250,631</b>	<b>\$ 514,780</b>	<b>\$ 522,429</b>	<b>\$ 766,642</b>	<b>\$ 773,060</b>

**Highlights of Capital Asset Activity**

**Governmental Activities**

- Capital assets for governmental activities experienced a \$1.2 million net increase.
- Other improvements declined by \$3.3 million. The decline is the result of various new improvements of \$6.4 million offset by depreciation expense and retirements of \$9.7 million.
- Construction in progress increased \$5.7 million. The most significant increase was due to the new 911 phone system.

**Business-Type Activities**

- Capital assets for business-type activities decreased \$7.6 million.
- Other improvements declined by \$6.7 million. The decline is the result of various new improvements of \$2.3 million offset by depreciation expense of \$9.0 million.
- Construction in progress for business-type activities increased \$3.0 million. The majority of the net increase includes sewer utility projects, storm water projects, and wastewater utility projects.

**Commitments**

- As detailed in Note 6, Construction and other Significant Commitments, the County has outstanding construction commitments of \$1.2 million.

## Debt Administration

A summary of debt and other obligations is presented below:

### Spokane County Outstanding Debt and Other Obligations (in thousands) December 31, 2015

	Governmental Activities		Business-type Activities		Total Activities	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 48,485	\$ 54,379	\$ 120,092	\$ 122,639	\$ 168,577	\$ 177,019
Revenue bonds	-	-	116,692	126,485	116,692	126,485
Public works trust fund loans	3,523	3,776	9,847	10,957	13,370	14,732
Notes payable	2,672	3,679	-	-	2,672	3,679
Capital leases	443	476	53	23	495	499
OPEB liability	7,008	6,084	-	-	7,008	6,084
IBNR liability	14,364	12,925	-	-	14,364	12,925
LT accrued interest	1,346	875	-	-	1,346	875
Landfill closure liability	-	-	23,575	25,044	23,575	25,044
Compensated absences	10,687	10,492	879	848	11,566	11,340
Pension liability (GASB 68)	73,411	59,041 *	7,403	5,839 *	80,814	64,880
Total long-term liabilities	\$ 161,938	\$ 151,727	\$ 278,541	\$ 291,836	\$ 440,479	\$ 443,563

\* 2014 has been restated to incorporate GASB 68.

The County's total debt and other obligations outstanding at December 31, 2015 were \$440.5 million. Total general obligation bonds are shown net of discount/premium. Total revenue bonds are shown net of premium. Landfill Closure Liability balance was \$23.6 million at year end. The incurred but not reported (IBNR) liability increased \$1.4 million. Pension liability was \$80.8 million at year end.

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

## ECONOMIC FACTORS

Economic factors have a direct impact on County's revenues and the demand for its services. County revenue sources are sensitive to the performance of both regional and local economies, particularly on income, employment, market valuation, investment and inflation, which directly influence property tax assessments, retail sales, and real estate transactions. For example, sales tax revenues are largely driven by income, capital investment, inflation, and employment. When these factors rise, demands for goods and services increase, creating an upsurge in sales tax receipts.

Similarly, County expenditures are driven by the demand for its services which is positively influenced by levels of affordability and access, but negatively by inflation and recession. A significant portion of County costs are directly tied to the Consumer Price Index, such as salaries and wages, fuel, utilities, and inventories.

The County's revenue sources include taxes, charges for services, intergovernmental revenues, and interest earnings. The largest single source is taxes. These consist primarily of taxes on real property and retail sales, which account for approximately 35 percent of overall revenues.

The average annual growth rate of Spokane County was 0.7 percent, based on population. This growth rate continues to be relatively consistent since 2006. According to the US Bureau of Labor Statistics, unemployment in Spokane County decreased from 7.13 percent in 2014 to 6.40, which is slightly higher than the state rate and the national average. Taxable retail sales increased 5.4 percent to \$8.5 billion in 2015, according to the Washington State Department of Revenue. Spokane County real estate tax revenue increased approximately 12 percent to \$80.1 million in 2015. This includes the additional \$5.9 million collected for the tax shift to benefit Solid Waste, as discussed earlier.

## **REQUESTS FOR FINANCIAL INFORMATION**

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

Spokane County, Washington  
Statement of Net Position  
December 31, 2015

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>ASSETS</b>			
Cash and Cash Equivalents	126,846,739	171,701,352	298,548,090
Deposits with Fiscal Agents	-	-	-
Temporary Investments	-	-	-
Receivables (net)	5,792,828	5,837,024	11,629,853
Internal Balances	1,019,742	(1,019,742)	-
Due From Other Governments	26,165,125	436,504	26,601,628
Inventories	6,732,396	364,474	7,096,870
Prepayments	3,534,399	67,472	3,601,870
Other Current Assets	-	-	-
Restricted Assets	38,072,619	55,405,671	93,478,290
Special Assessments Receivable	-	-	-
Notes/Contracts Receivable	31,470,737	493,830	31,964,567
Net Pension Asset	9,165,159	-	9,165,159
<b>Capital Assets</b>			
<b>Non-Depreciated Assets</b>			
Land	55,742,680	11,453,377	67,196,057
Easements	153,235	1,074,905	1,228,140
Construction in Progress	21,381,323	8,357,946	29,739,269
<b>Depreciated Assets (Net of Accumulated Depreciation)</b>			
Depleted Land	2,167,598	-	2,167,598
Building and Structures	65,200,478	186,880,043	252,080,521
Other Improvements	73,025,361	302,887,509	375,912,870
Machinery and Equipment	32,679,002	2,632,879	35,311,882
<b>Intangible Assets (Net of Accumulated Amortization)</b>			
Software	1,513,170	83,272	1,596,442
Capacity Rights	-	1,409,841	1,409,841
Other Intangibles	-	-	-
Other Noncurrent Assets	-	-	-
<b>TOTAL ASSETS</b>	<b>500,662,590</b>	<b>748,066,359</b>	<b>1,248,728,949</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	219,011	1,302,977	1,521,989
Pension Related	10,058,932	848,742	10,907,674
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,277,943</b>	<b>2,151,719</b>	<b>12,429,663</b>
<b>LIABILITIES</b>			
Accounts and Vouchers Payable	22,080,427	1,902,467	23,982,893
Due To Other Governments	3,074,823	3,552,310	6,627,133
Accrued Liabilities	1,812,530	1,248,826	3,061,356
Revenues Collected in Advance	106,712	106,494	213,206
Compensated Absences	10,687,025	878,924	11,565,950
Custodial Accounts	267,520	91,632	359,152
Other Liabilities	1,995,745	-	1,995,745
Liabilities Payable From Restricted Assets	-	51,004	51,004
<b>Noncurrent Liabilities:</b>			
Due Within One Year	6,870,069	12,832,954	19,703,023
Due in More Than One Year	42,587,715	226,259,210	268,846,924
Net Pension Liability	73,410,525	7,403,447	80,813,972
Other Noncurrent Liabilities	19,705,787	32,469,187	52,174,974
<b>TOTAL LIABILITIES</b>	<b>182,598,878</b>	<b>286,796,454</b>	<b>469,395,332</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes and Assessments	-	-	-
Grants Received In Advance	559,002	-	559,002
Pension Related	13,928,483	1,143,140	15,071,623
Other Deferred Inflows	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,487,485</b>	<b>1,143,140</b>	<b>15,630,625</b>
<b>NET POSITION</b>			
Net Investment In Capital Assets	217,593,152	268,070,831	485,663,983
Restricted:			
LT Notes Receivable	17,071,084	52,732,713	69,803,797
Other	-	891,547	891,547
Special Revenue	80,339,807	-	80,339,807
Unrestricted	(1,149,872)	140,583,393	139,433,521
<b>TOTAL NET POSITION</b>	<b>313,854,170</b>	<b>462,278,484</b>	<b>776,132,654</b>

See accompanying notes to the financial statements

Spokane County, Washington  
Statement of Activities  
For the Year Ended December 31, 2015

FUNCTIONS / PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	46,616,783	20,930,248	11,043,783	1,474,564	(13,168,188)		(13,168,188)
Judicial Services	14,475,312	3,290,263	1,518,501	-	(9,666,548)		(9,666,548)
Public Safety	105,961,618	32,758,166	3,888,231	-	(69,315,221)		(69,315,221)
Physical Environment	-	62,830	-	-	62,830		62,830
Transportation	36,597,929	2,045,553	1,295,078	6,294,855	(26,962,443)		(26,962,443)
Economic Environment	7,089,125	2,700,093	-	-	(4,389,032)		(4,389,032)
Health and Human Services	133,521,515	101,825,766	16,338,177	645,068	(14,712,505)		(14,712,505)
Culture and Recreation	5,044,211	954,198	-	47,918	(4,042,095)		(4,042,095)
Interest on Long-Term Debt	2,056,425	-	-	-	(2,056,425)		(2,056,425)
<b>Total Governmental Activities</b>	<b>351,362,918</b>	<b>164,567,116</b>	<b>34,083,770</b>	<b>8,462,405</b>	<b>(144,249,626)</b>	<b>-</b>	<b>(144,249,626)</b>
<b>Business-Type Activities:</b>							
Sewer Operations	41,545,917	32,945,142	-	9,070,276		469,502	469,502
Other Enterprise Funds	27,898,053	25,512,556	1,521,707	998,924		135,134	135,134
<b>Total Business-Type Activities</b>	<b>69,443,971</b>	<b>58,457,699</b>	<b>1,521,707</b>	<b>10,069,200</b>	<b>-</b>	<b>604,636</b>	<b>604,636</b>
<b>Total Primary Government</b>	<b>420,806,888</b>	<b>223,024,815</b>	<b>35,605,478</b>	<b>18,531,605</b>	<b>(144,249,626)</b>	<b>604,636</b>	<b>(143,644,990)</b>
<b>General Revenues:</b>							
Taxes							
Property Taxes					80,073,817	-	80,073,817
Sales and Use Tax					61,882,753	-	61,882,753
Excise Taxes					12,143,339	-	12,143,339
Other Taxes					4,222	62,484	66,706
Penalties and Interest					3,923,865	-	3,923,865
Investment Earnings					2,265,372	4,210,083	6,475,455
Gain on Disposal of Capital Assets					357,808	17,750	375,558
Transfers					(8,440,900)	8,440,900	-
<b>Total General Revenues, Special Items, and Transfers</b>					<b>152,210,277</b>	<b>12,731,217</b>	<b>164,941,494</b>
<b>Change in Net Position</b>					<b>7,960,651</b>	<b>13,335,852</b>	<b>21,296,503</b>
Net Position, January 1					380,798,809	456,812,683	837,611,492
Prior Period Adjustments					(74,905,290)	(7,870,051)	(82,775,341)
Restated Net Position					305,893,519	448,942,632	754,836,151
Net Position, December 31					<b>313,854,170</b>	<b>462,278,484</b>	<b>776,132,654</b>

See accompanying notes to the financial statements

Spokane County, Washington  
Balance Sheet  
Governmental Funds  
December 31, 2015

	010 GENERAL FUND	110 COUNTY ROADS	148 COMMUNITY SERVICES MENTAL HEALTH	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>ASSETS</b>					
Cash and Cash Equivalents	16,515,732	9,549,323	6,168,550	58,857,399	91,091,004
Deposits with Fiscal Agents	-	-	-	-	-
Temporary Investments	-	-	-	-	-
Receivables (net)	2,647,185	767,479	798,434	433,087	4,646,185
Due From Other Funds	7,458,693	200,265	1,310	791,091	8,451,358
Due From Other Governments	12,846,937	3,359,108	2,052,652	6,418,989	24,677,686
Inventories	319,648	-	-	-	319,648
Prepayments	147,325	7,563	62,073	824,311	1,041,273
Other Current Assets	-	-	-	-	-
Restricted Assets	-	-	37,572,619	500,000	38,072,619
Special Assessments Receivable	-	-	-	-	-
Notes/Contracts Receivable	14,399,653	-	-	17,071,084	31,470,737
Other Noncurrent Assets	-	-	-	-	-
<b>Total Assets</b>	<b>54,335,174</b>	<b>13,883,739</b>	<b>46,655,637</b>	<b>84,895,961</b>	<b>199,770,510</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Loss on Refunding	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>54,335,174</b>	<b>13,883,739</b>	<b>46,655,637</b>	<b>84,895,961</b>	<b>199,770,510</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts and Vouchers Payable	2,108,161	519,633	2,128,734	7,382,232	12,138,760
Matured Long-Term Obligations	-	-	-	-	-
Matured Interest Payable	-	-	-	-	-
Due To Other Funds	3,595,858	1,312,595	589,163	7,655,654	13,153,270
Due To Other Governments	755,855	6,930	1,510,734	141,079	2,414,598
Accrued Liabilities	170,784	387,401	-	4,312	562,496
Revenues Collected in Advance	50,687	32,000	-	450	83,137
Current Portion of Long-Term Obligations	-	-	-	-	-
Custodial Accounts	11,200	159,500	-	-	170,700
Other Current Liabilities	-	367,242	83,153	1,539,414	1,989,808
Payable From Restricted Assets	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	-	-	-	-	-
Special Assessment Bonds	-	-	-	-	-
Compensated Absences	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>6,692,545</b>	<b>2,785,301</b>	<b>4,311,785</b>	<b>16,723,140</b>	<b>30,512,771</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Taxes and Assessments	1,480,670	546,836	13,264	127,628	2,168,397
Grants Received In Advance	-	-	-	559,002	559,002
Other Deferred Inflows	361,666	611,266	-	84,900	1,057,831
<b>Total Deferred Inflows of Resources</b>	<b>1,842,335</b>	<b>1,158,102</b>	<b>13,264</b>	<b>771,530</b>	<b>3,785,231</b>
<b>FUND BALANCE</b>					
Nonspendable	-	-	-	-	-
Restricted	23,258,008	-	42,323,121	57,877,861	123,458,991
Committed	399,562	-	-	5,161,146	5,560,708
Assigned	-	9,940,336	7,467	4,362,284	14,310,087
Unassigned	22,142,724	-	-	-	22,142,724
<b>Total Fund Balance</b>	<b>45,800,294</b>	<b>9,940,336</b>	<b>42,330,589</b>	<b>67,401,291</b>	<b>165,472,509</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>54,335,174</b>	<b>13,883,739</b>	<b>46,655,637</b>	<b>84,895,961</b>	<b>199,770,510</b>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**For The Year Ended December 31, 2015**

Total fund balances as shown on the Governmental Funds Balance Sheet.	\$ 165,472,509
Capital assets used in government activities are not current financial resources and therefore are not reported in the funds. This amount reflects the initial investment in capital assets, including construction-in-progress, less accumulated depreciation at December 31, 2015.	222,148,351
Revenues not available to pay current period expenditures are deferred inflows of resources in governmental funds.	4,041,179
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal services funds are included in the governmental activities in the Statement of Net Position.	43,356,554
Long-term liabilities that are not due and payable in the current period and are not reported in the funds	<u>(121,164,423)</u>
Net position of governmental activities on the Statement of Net Position.	<u><u>\$ 313,854,170</u></u>

See accompanying notes to the financial statements



**Spokane County, Washington**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	010 GENERAL FUND	110 COUNTY ROADS	148 COMMUNITY SERVICES MENTAL HEALTH	OTHER NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	95,373,311	20,220,860	9,443,336	25,711,195	150,748,701
Licenses and Permits	1,192,509	189,877	-	-	1,382,386
Intergovernmental	11,164,639	15,605,044	981,425	8,496,603	36,247,712
Charges for Services	35,681,132	2,126,550	101,601,394	15,157,481	154,566,556
Fines and Forfeits	7,086,678	-	-	168,803	7,255,481
Interest	1,267,947	43,159	298,130	439,700	2,048,936
Special Assessments	-	-	-	-	-
Contributions and Donations	29,888	9,117	1,217	474,828	515,049
Other Miscellaneous Revenues	677,029	240,449	7,199	848,278	1,772,954
<b>Total Revenues</b>	<b>152,473,132</b>	<b>38,435,055</b>	<b>112,332,701</b>	<b>51,296,888</b>	<b>354,537,776</b>
<b>EXPENDITURES</b>					
Current:					
General Government	42,120,637	207,925	-	3,742,449	46,071,011
Judicial	13,912,050	-	-	403,889	14,315,939
Public Safety	77,437,339	42,280	-	9,374,279	86,853,897
Physical Environment	-	-	-	-	-
Transportation	5,625	27,935,803	-	2,640	27,944,068
Economic Environment	734,752	70,645	-	6,220,228	7,025,625
Health and Human Services	4,333,654	-	112,830,200	14,023,546	131,187,399
Culture and Recreation	2,644,844	-	-	1,457,048	4,101,892
Debt Service:					
Principal Outlay	1,753,720	621,569	-	3,871,877	6,247,166
Interest Expenditure	1,114,961	154,175	-	1,188,861	2,457,997
Capital Outlay	1,786,050	6,855,071	90,673	10,964,981	19,696,775
<b>Total Expenditures</b>	<b>145,843,631</b>	<b>35,887,467</b>	<b>112,920,872</b>	<b>51,249,797</b>	<b>345,901,768</b>
Excess (Deficiency) of Revenues Over Expenditures	6,629,501	2,547,588	(588,172)	47,091	8,636,007
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Transfer - In	2,756,076	216,969	-	6,440,530	9,413,575
Transfer - Out	(7,667,445)	-	(2,144,955)	(10,446,153)	(20,258,554)
General Long-Term Debt Issuance	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Payment on Bond Refunding	-	-	-	-	-
Capital Leases	222,039	20,105	-	8,975	251,119
Disposition of Capital Assets	72,391	39,692	800	-	112,883
Other	1,926	65,047	-	-	66,973
<b>Total Other Financing Sources and (Uses)</b>	<b>(4,615,014)</b>	<b>341,813</b>	<b>(2,144,155)</b>	<b>(3,996,648)</b>	<b>(10,414,003)</b>
<b>Net Change in Fund Balance</b>	<b>2,014,487</b>	<b>2,889,400</b>	<b>(2,732,326)</b>	<b>(3,949,557)</b>	<b>(1,777,996)</b>
Fund Balances, January 1	43,785,806	8,550,935	45,062,915	70,963,124	168,362,781
Prior Period Adjustments	-	(1,500,000)	-	387,724	(1,112,276)
Restated Fund Balance	43,785,806	7,050,935	45,062,915	71,350,848	167,250,505
Fund Balances, December 31	<b>45,800,294</b>	<b>9,940,336</b>	<b>42,330,589</b>	<b>67,401,291</b>	<b>165,472,509</b>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2015**

Net change in fund balances as shown on Government Funds Statement  
of Revenues, Expenditures, and Changes in Fund Balance \$ (1,777,996)

Governmental funds report capital outlays as expenditures and proceeds  
for the sale of capital assets as revenues. In the Statement of Activities,  
the cost of those assets is capitalized and depreciated over the period of  
the assets useful life. When capital assets are disposed of, the difference  
between original cost, accumulated depreciation and the proceeds is  
booked as a gain or (loss) on the sale. This entry takes into account the  
differences in how capital costs are treated between the Statement of  
Activities and the Governmental Fund statements. (2,130,787)

Internal services fund expenses are allocated to other funds. The net  
expense of the internal service fund activities is reported with  
governmental activities on the Statement of Activities 1,519,442

The issuance of long-term debt (e.g. bonds) provides current financial  
resources to government funds, while the repayment of principal on long-  
term debt consumes the current financial resources of governmental  
funds. Neither transaction, however, has any effect on net position.  
Governmental funds report the effect of premiums, discounts, and similar  
items when debt is issued. These costs are deferred and amortized on  
the Statement of Activities. Changes in other long-term liabilities, such as  
compensated absences, net pension liability and net OPEB obligations,  
do not consume or provide current financial resources and are not  
recorded in governmental funds. This entry is the net effect of these  
differences in the treatment of long-term debt issuance, debt payments  
and other long-term liabilities. 9,848,588

Governmental funds report revenue in the current period for revenues  
deferred in prior periods since they were not available financing sources at  
the time. Government-wide statements record revenues at the time they  
are earned. This amount accounts for the change in the deferred inflow of  
resources. 501,404

Change in net position of governmental activities on the Statement of  
Activities. \$ 7,960,651

See accompanying notes to the financial statements

Spokane County, Washington  
Statement of Net Position  
Proprietary Funds  
December 31, 2015

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	400 SEWER ENTERPRISE	OTHER NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash and Cash Equivalents	139,402,620	32,298,732	171,701,352	35,755,734
Deposits with Fiscal Agents	-	-	-	-
Temporary Investments	-	-	-	-
Receivables (net)	4,778,465	1,058,559	5,837,024	331,692
Due From Other Funds	533,546	384,186	917,732	4,895,898
Due From Other Governments	-	436,504	436,504	1,487,438
Inventories	364,474	-	364,474	6,412,748
Prepayments	36,304	31,168	67,472	2,493,126
Other Current Assets	-	-	-	-
<b>Total Current Assets</b>	<b>145,115,410</b>	<b>34,209,148</b>	<b>179,324,558</b>	<b>51,376,637</b>
<i>Noncurrent Assets:</i>				
Restricted Assets	54,122,524	1,283,147	55,405,671	-
Special Assessments Receivable	-	-	-	-
Notes/Contracts Receivable	-	493,830	493,830	-
Net Pension Asset	-	-	-	-
<i>Capital Assets</i>				
<i>Non-Depreciated Assets</i>				
Land	7,666,362	3,787,015	11,453,377	2,145,682
Easements	1,074,905	-	1,074,905	-
Construction in Progress	3,064,027	5,293,919	8,357,946	4,007,058
<i>Depreciated Assets (Net of Accumulated Depreciation)</i>				
Depleted Land	-	-	-	2,167,598
Building and Structures	154,521,441	32,358,602	186,880,043	14,387,801
Other Improvements	289,603,282	13,284,227	302,887,509	512,287
Machinery and Equipment	1,070,596	1,562,283	2,632,879	5,242,524
<i>Intangible Assets (Net of Accumulated Amortization)</i>				
Software	47,374	35,899	83,272	1,251,549
Capacity Rights	1,365,945	43,897	1,409,841	-
Other Intangibles	-	-	-	-
Other Noncurrent Assets	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>512,536,456</b>	<b>58,142,819</b>	<b>570,679,275</b>	<b>29,714,499</b>
<b>TOTAL ASSETS</b>	<b>657,651,866</b>	<b>92,351,967</b>	<b>750,003,833</b>	<b>81,091,136</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Refunding	939,286	363,691	1,302,977	-
Pension Related	266,358	582,384	848,742	2,579,916
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,205,644</b>	<b>946,075</b>	<b>2,151,719</b>	<b>2,579,916</b>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts and Vouchers Payable	710,474	1,191,992	1,902,467	9,941,667
Contracts Payable	-	-	-	5,937
Due To Other Funds	80,835	678,571	759,407	352,311
Due To Other Governments	3,239,296	313,014	3,552,310	660,225
Accrued Liabilities	1,071,798	177,028	1,248,826	318,377
Revenues Collected in Advance	-	106,494	106,494	23,575
Current Portion of Long-Term Obligations	11,788,103	1,044,851	12,832,954	134,372
Custodial Accounts	-	91,632	91,632	96,820
Other Current Liabilities	-	-	-	-
<b>Total Current Liabilities</b>	<b>16,890,506</b>	<b>3,603,583</b>	<b>20,494,089</b>	<b>11,533,282</b>
<i>Noncurrent Liabilities:</i>				
Payable From Restricted Assets	-	51,004	51,004	-
General Obligation Bonds	81,231,734	31,224,499	112,456,233	-
Revenue Bonds	113,802,977	-	113,802,977	-
Compensated Absences	238,478	640,446	878,924	1,596,020
Net Pension Liability	2,407,577	4,995,870	7,403,447	17,753,920
Other Noncurrent Liabilities	8,884,488	23,584,699	32,469,187	7,740,980
<b>Total Noncurrent Liabilities</b>	<b>206,565,254</b>	<b>60,496,518</b>	<b>267,061,772</b>	<b>27,090,920</b>
<b>TOTAL LIABILITIES</b>	<b>223,455,761</b>	<b>64,100,100</b>	<b>287,555,861</b>	<b>38,624,202</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes and Assessments	-	-	-	-
Grants Received In Advance	-	-	-	-
Pension Related	369,494	773,646	1,143,140	2,868,363
Other Deferred Inflows	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>369,494</b>	<b>773,646</b>	<b>1,143,140</b>	<b>2,868,363</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	243,606,796	24,464,035	268,070,831	28,622,370
<i>Restricted:</i>				
Debt Service	52,732,713	-	52,732,713	-
Capital Improvements	-	891,547	891,547	-
Unrestricted	138,692,746	3,068,714	141,761,460	13,556,117
<b>TOTAL NET POSITION</b>	<b>435,032,255</b>	<b>28,424,296</b>	<b>463,456,551</b>	<b>42,178,487</b>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Reconciliation of the Statement of Net Position**  
**Proprietary Funds to the Statement of Net Position**  
**For The Year Ended December 31, 2015**

Total net position as shown on the Proprietary Statement of Net Position.	\$ 463,456,551
Some amounts reported for business-type activities in the Statement of Net Position are different because a portion of certain internal service funds' gains and losses are included with business-type activities.	<u>(1,178,067)</u>
Net position of business-type activities on the Statement of Net Position.	<u><u>\$ 462,278,484</u></u>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	400 SEWER ENTERPRISE	OTHER NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	
<b>Operating Revenues:</b>				
Charges for Services	32,836,515	23,267,660	56,104,174	57,059,007
Participant Contributions	-	-	-	23,944,030
Rents, Leases, and Concessions	546	2,114,235	2,114,781	6,224,375
Other Revenues	-	-	-	-
<b>Total Operating Revenues</b>	<b>32,837,060</b>	<b>25,381,895</b>	<b>58,218,955</b>	<b>87,227,412</b>
<b>Operating Expenses:</b>				
Personal Services	3,582,700	8,707,759	12,290,460	36,154,475
Contractual Services	2,267,566	7,818,796	10,086,361	31,063,823
Repairs and Maintenance	3,181,911	169,466	3,351,377	196,365
Other Supplies and Expenses	9,815,999	8,599,186	18,415,186	18,230,940
Insurance Claims and Expenses	142,670	203,698	346,368	2,562,306
Depreciation	11,944,725	2,094,114	14,038,840	2,907,439
<b>Total Operating Expenses</b>	<b>30,935,571</b>	<b>27,593,019</b>	<b>58,528,591</b>	<b>91,115,348</b>
<b>Operating Income (Loss)</b>	<b>1,901,489</b>	<b>(2,211,124)</b>	<b>(309,636)</b>	<b>(3,887,936)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest and Investment Revenue	3,997,582	212,502	4,210,083	216,436
Intergovernmental Revenue	2,407,902	1,634,191	4,042,093	75,147
Interest Expense	(10,610,346)	(1,176,986)	(11,787,331)	(9,372)
Gain (Loss) on Disposal of Capital Assets	12,750	(88,057)	(75,307)	266,732
Adjustment for Landfill Closure Liability	-	1,469,863	1,469,863	-
Other Non-Operating Revenues	108,082	130,661	238,743	327,908
Other Non-Operating Expenses	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(4,084,030)</b>	<b>2,182,174</b>	<b>(1,901,856)</b>	<b>876,852</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(2,182,541)</b>	<b>(28,951)</b>	<b>(2,211,492)</b>	<b>(3,011,084)</b>
Capital Contributions	6,662,375	948,924	7,611,299	1,621,594
Transfers In	500,000	8,643,637	9,143,637	2,404,079
Transfers Out	-	(702,738)	(702,738)	-
<b>Change in Net Position</b>	<b>4,979,833</b>	<b>8,860,873</b>	<b>13,840,706</b>	<b>1,014,588</b>
Net Position, January 1	432,764,214	24,721,682	457,485,896	59,922,071
Prior Period Adjustments	(2,711,793)	(5,158,259)	(7,870,051)	(18,758,173)
Restated Net Position	430,052,421	19,563,423	449,615,845	41,163,898
<b>Net Position, December 31</b>	<b>435,032,255</b>	<b>28,424,296</b>	<b>463,456,551</b>	<b>42,178,487</b>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Reconciliation of the Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position of Proprietary Funds to the Statement of Activities**  
**For the Year Ended December 31, 2015**

Net change in fund balances as shown on the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position.	\$ 13,840,706
Some amounts reported for business-type activities in the Statement of Activities are different because a portion of certain internal service funds' gains and losses are included with business-type activities.	<u>(504,854)</u>
Change in net position of business-type activities on the Statement of Activities.	<u>\$ 13,335,852</u>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	ENTERPRISE FUNDS			
	400 SEWER ENTERPRISE	OTHER NONMAJOR FUNDS	TOTAL ENTERPRISE FUNDS	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	32,869,843	25,515,970	58,385,813	87,095,656
Receipts from Interfund Services	(11,679)	(372,129)	(383,807)	(1,054,069)
Payments for Goods and Services	(15,453,932)	(16,717,149)	(32,171,081)	(49,657,120)
Payments for Interfund Services	(67,749)	(39,699)	(107,447)	(541,191)
Payments to Employees for Services	(3,770,355)	(8,616,218)	(12,386,573)	(36,843,567)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>13,566,129</b>	<b>(229,225)</b>	<b>13,336,904</b>	<b>(1,000,291)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund Loan Proceeds	1,003,991	-	1,003,991	-
Interfund Loan Payments	-	(1,003,991)	(1,003,991)	-
Intergovernmental Receipts	2,407,902	1,634,191	4,042,093	75,147
Miscellaneous Receipts	108,082	130,661	238,743	327,908
Miscellaneous Expenses	-	-	-	-
Contribution Receipts	-	347,824	347,824	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>3,519,975</b>	<b>1,108,685</b>	<b>4,628,660</b>	<b>403,055</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisitions and Construction of Capital Assets	(1,616,197)	(11,628,313)	(13,244,510)	(6,896,966)
Proceeds from Sale of Equipment	12,750	258,840	271,590	266,732
Contribution Receipts	8,276,177	601,100	8,877,278	1,621,594
Proceeds from Debt	-	-	-	-
Principal Payments	(11,906,524)	(693,851)	(12,600,376)	(446,264)
Interest and Other Payments	(11,275,218)	(1,315,501)	(12,590,719)	(22,048)
Utility Capacity	-	-	-	-
Transfers In	500,000	8,643,637	9,143,637	2,404,079
Transfers Out	-	(702,738)	(702,738)	-
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<b>(16,009,012)</b>	<b>(4,836,825)</b>	<b>(20,845,837)</b>	<b>(3,072,873)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and Dividend Receipts	4,013,023	216,610	4,229,633	222,184
Interest and Other Payments	-	-	-	-
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>4,013,023</b>	<b>216,610</b>	<b>4,229,633</b>	<b>222,184</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,090,115</b>	<b>(3,740,755)</b>	<b>1,349,360</b>	<b>(3,447,925)</b>
Cash and Cash Equivalents, January 1	149,731,830	37,322,634	187,054,464	39,203,660
Cash and Cash Equivalents, December 31	154,821,945	33,581,879	188,403,824	35,755,734
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
<b>Operating Income (Loss)</b>	<b>1,901,489</b>	<b>(2,211,125)</b>	<b>(309,636)</b>	<b>(3,887,936)</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	11,944,725	2,094,114	14,038,840	2,907,439
Prior Period Adjustment	-	-	-	-
Decrease (Increase) in Accounts Receivable	32,474	(254,667)	(222,193)	192,966
Decrease (Increase) in Inventories	35,625	-	35,625	171,513
Decrease (Increase) in Due from Other Funds	(11,679)	(372,129)	(383,807)	(1,054,069)
Decrease (Increase) in Due from Other Governments	309	305,298	305,607	(321,837)
Decrease (Increase) in Current Assets	(6,016)	(17,148)	(23,165)	(135,981)
Increase (Decrease) in Accounts Payable	62,244	347,382	409,626	1,409,751
Increase (Decrease) in Due to Other Funds	(67,749)	(39,699)	(107,447)	(541,191)
Increase (Decrease) in Other Current Liabilities	(200,997)	(151,058)	(352,055)	80,516
Increase (Decrease) in Employee Leave Benefits	13,425	62,668	76,092	26,714
Increase (Decrease) in Due to Other Governments	63,359	(105,179)	(41,820)	(163,938)
Increase (Decrease) in Unearned Revenue	-	83,444	83,444	(2,886)
Increase (Decrease) in Other Noncurrent Liabilities	-	-	-	1,034,454
Increase (Decrease) in Pension	(201,079)	28,873	(172,206)	(715,806)
<b>Total Adjustments</b>	<b>11,664,641</b>	<b>1,981,900</b>	<b>13,646,540</b>	<b>2,887,645</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>13,566,129</b>	<b>(229,225)</b>	<b>13,336,904</b>	<b>(1,000,291)</b>
<b>NON CASH INVESTING, CAPITAL &amp; FINANCING ACTIVITIES:</b>				
Capital Assets Acquired by Contribution	2,045,420	-	2,045,420	-
<b>Total Non Cash Investing, Capital &amp; Financing Activities</b>	<b>2,045,420</b>	<b>-</b>	<b>2,045,420</b>	<b>-</b>

See accompanying notes to the financial statements

**Spokane County, Washington**  
**Statement of Net Position**  
**Fiduciary Funds**  
**December 31, 2015**

	<u>INVESTMENT FUNDS</u>	<u>AGENCY FUNDS</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	-	14,715,552
Deposits with Fiscal Agents	-	3,142,348
Temporary Investments at Cost	-	-
Temporary Investments at Fair Value	620,947,159	-
Receivables (net)	1,709,278	15,529,332
Due From Other Funds	-	-
Due From Other Governments	-	-
Special Assessments Receivable	-	2,634,063
Other Noncurrent Assets	-	-
<b>Total Assets</b>	<u>622,656,438</u>	<u>36,021,296</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Loss on Refunding	-	-
<b>Total Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts and Vouchers Payable	-	-
Matured Long-Term Obligations	-	-
Matured Interest Payable	-	-
Due To Other Funds	-	-
Due To Other Governments	-	-
Accrued Liabilities	434,936	-
Custodial Accounts	-	36,021,296
General Obligation Bonds	-	-
Revenue Bonds	-	-
Special Assessment Bonds	-	-
Other Noncurrent Liabilities	-	-
<b>Total Liabilities</b>	<u>434,936</u>	<u>36,021,296</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes and Assessments	-	-
Grants Received In Advance	-	-
Other Deferred Inflows	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Investments Held in Trust for Pool Participants	622,221,502	-
Investments Held in Trust for Other Purposes	-	-
<b>Total Net Position</b>	<u>622,221,502</u>	<u>-</u>

See accompanying notes to the financial statements



**Spokane County, Washington**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended December 31, 2015**

	<b>INVESTMENT FUNDS</b>
<b>ADDITIONS</b>	
Contributions:	
Pool Participants	1,519,090,788
<i>Total Contributions</i>	1,519,090,788
Investment Earnings:	
Net Increase (Decrease) in Fair Value of Investments	(1,075,362)
Interest and Dividends	4,348,945
Other Additions	-
<i>Total Investment Earnings</i>	3,273,583
<b>Total Additions</b>	<b>1,522,364,370</b>
<b>DEDUCTIONS</b>	
Distributions to Pool Participants	4,348,945
Deductions by Pool Participants	1,384,960,402
Other Deductions	-
<b>Total Deductions</b>	<b>1,389,309,347</b>
Change in Net Position	133,055,024
Net Position, January 1	489,166,479
Prior Period Adjustments	-
Restated Net Position	489,166,479
<b>Net Position, December 31</b>	<b>622,221,502</b>

See accompanying notes to the financial statements

## Notes to the Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Scope of the Reporting Entity

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

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

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

Liberty Lake Transportation Benefit District – The Liberty Lake Transportation Benefit District was created for the purpose of financing the installation, construction, improvement and maintenance of a system of pathways, bikeways, trails and associated facilities in the Liberty Lake area. The County Commissioners act as the governing body and can impose their will on the District. The Commissioners approve the issuance of debt and approve the transfer of funds to the County and the City of Liberty Lake for approved projects within the boundaries of the District. The District has no employees. Accounting for the District is performed by Spokane County employees. The District has two funds which account for the construction and debt service. These funds are blended into the County financial statements at the fund level in the capital projects funds and debt service funds, and at the government-wide level in Governmental Activities.

## Notes to the Financial Statements

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

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

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

Spokane Regional Clean Air Agency - The five member board of directors is composed of one Spokane County commissioner, one Spokane City representative, one Spokane Valley City representative, one small cities/towns representative and one member-at-large. The County paid \$187,644 to the Agency in 2015 as its share of operations. Spokane County and all cities in the County are required to finance a portion of the operating costs of the Agency each year by state law (RCW 70.94).

Spokane Transit Authority - The board of directors is composed of two Spokane County commissioners, two Spokane City council members, two Spokane Valley City council members (one position is currently open), one City of Liberty Lake council member (position is currently open), the mayor of the City of Cheney, one City of Airway Heights council member and one labor representative. Spokane Transit Authority is funded by a sales tax levy, federal and state grants, and rider fares. The County has no oversight responsibility nor does any financial interdependency exist.

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

## Notes to the Financial Statements

### **B. Government-Wide and Fund Financial Statements**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Additionally, the County's accounting system allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenues include 1) charges to customers who purchase or use goods or services provided by a given function segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

## Notes to the Financial Statements

Spokane County reports the following major governmental funds:

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

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

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

Spokane County reports the following major proprietary funds:

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

Additionally, the County reports the following fund types:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, storm water utility, aquifer protection, solid waste, golf courses, fair, building and planning, regional animal protection and the County's internal

## Notes to the Financial Statements

service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### D. Budgetary Information

#### Scope of Budget

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

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

#### Procedures for Adopting the Original Budget

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

##### Preliminary Budget

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

##### Revisions by County Commissioners

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

##### Notice of Hearing on Budget

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

##### Budget Hearing

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

## Notes to the Financial Statements

### Final Budget to be Adopted

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

### **Amending the Budget**

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

When the County Commission determines that it is in the best interest of the County to increase or decrease an appropriation for a particular fund, it may do so by resolution approved by a majority after holding a public hearing. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

### **Excess of Expenditures over Appropriations**

As of December 31, 2015, there were no expenditures that exceeded legal appropriations.

### **Deficit Fund Net Position**

As of December 31, 2015, two funds are reporting a deficit balance. For further explanation, see Notes 19 and 23.

<u>Fund</u>	<u>Deficit</u>
404 – Utilities Landfill Closure	\$16,204,413
512 – Public Works	\$101,515

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

### **Cash and Cash Equivalents**

It is the County's policy to invest all temporary cash surpluses. At December 31, 2015, the Treasurer held \$29,492,836 in short-term residual investments of surplus cash. The interest on these investments was credited to the General Fund.

The amounts reported as cash equivalents also include compensating balances maintained with banks in lieu of payments for services rendered. The average compensating balance maintained during 2015 was \$74,059,203.

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

### **Investments**

See Note 3, Deposits and Investments.

**Notes to the Financial Statements**

**Receivables**

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

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

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

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

**Inventories and Prepaid Items**

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

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

**Restricted Assets and Related Liabilities**

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

The restricted assets are composed of the following:

	2015	2014	Change
Special Assessments - CFR	\$38,703,199	\$42,396,689	(\$3,693,490)
Cash and Investment - Mental Health Risk Reserve	37,572,619	41,861,490	(4,288,871)
Cash and Investment - Sewer Revenue Bond Reserve	12,752,439	12,752,439	-
Cash and Investment - Fair Loan to be used as Bond Spend Down	891,547	977,947	(86,400)
Cash and Investment - Regional Water Reclamation MR&R and Equipment Replacement	2,666,886	2,000,074	666,812
Cash and Investment - Solid Waste Bond Reserve	391,600	576,253	(184,653)
Cash and Investment - HSSA Bond Reserve	500,000	500,000	-
Cash and Investment - Utilities Bond Reserve	-	4,451	(4,451)
Cash and Investment - SCRAPS Bond Reserve	-	422	(422)
<b>Total Restricted Assets</b>	<b>\$93,478,290</b>	<b>\$101,069,765</b>	<b>(\$7,591,475)</b>



## Notes to the Financial Statements

### Capital Assets (see Note 5)

Capital assets, which include property, plant, equipment, intangibles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than a single fiscal period. All real property, regardless of cost, is capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

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

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

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

### Compensated Absences

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

Vacation pay, which may be accumulated up to a total of twice the amount earned annually or to a maximum amount of 40 days, whichever is less, is payable upon resignation, retirement, or death. The PTO plan was designed to offer employees flexibility and manage their paid time off for certain employees. It does not distinguish between sick leave and vacation pay. PTO time can also be accumulated up to a total of twice the amount earned annually. The balance is payable upon resignation, retirement or death. Sick leave may accumulate up to 180 days for employees hired prior to July 1989. For these employees, fifty percent of outstanding sick leave up to 130 days is payable upon retirement or death for those opting out of long-term disability coverage. For employees hired after June 1989, a long-term disability program has been

## Notes to the Financial Statements

offered in lieu of the sick leave payoff option. These employees may accumulate up to 75 days of sick leave with no payout option. In 1994, Spokane County started accruing a liability for sick leave per GASB Statement No.16 "Accounting for Compensated Absences." The termination payment method was the method chosen to calculate this liability.

### **Pensions (see Note 7)**

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

### **Other Accrued Liabilities**

These accounts consist of balances such as accrued wages and accrued employee benefits.

### **Long-Term Debt (see Note 10)**

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as Other Financing Sources. Premiums received on debt issuances are reported as Other Financing Sources, while discounts on debt issuances are reported as Other Financing Uses. Issuance costs are expensed as incurred per GASB 65.

### **Unearned Revenues**

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

### **Fund Balance**

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

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

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

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

## Notes to the Financial Statements

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

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

### Fund Balance Classifications

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

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

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

### Fund Balance Details

Total restricted, committed, and assigned fund balance for all governmental funds was \$123,458,991, \$5,560,708, and \$14,310,087, respectively.

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
010	Receivable for loan made to Health Science and Services Authority	\$6,485,000
010	Various Designated Unreserved Fund Balances from external Sources	2,376,779
010	Receivable for loan made to the Public Facilities District	14,399,653
123 & 131	Loan Receivable for Housing Grant program	18,515,229
132 & 160	Emergency Communication/Crime Check Sales Tax	14,877,860
148	Mental Health Sales Tax and Medicaid Grant Reserve	42,323,121
163	Liberty Lake LIFT Sales Tax	6,114,661
		<u>\$105,092,303</u>

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

**Notes to the Financial Statements**

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

Fund	Description	Amount
010	Various Designated Unreserved Fund Balances from external Sources	\$399,562
117	Donations for public access improvements/additions to Conservation Futures Properties	783,856
129	Donations for the care and maintenance of Conservation Futures properties	798,123
140	Care and maintenance of the RSN properties	968,550
150	Transfer from the General Fund to support 4.5 FTE in District Court Probation	2,034,922
302	Construction efforts for various remodels	157,371
		<b>\$5,142,384</b>

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

Minimum Fund Balance

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

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

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

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

The details of this \$222,148,351 difference are as follows:

Capital assets at historical cost	\$ 791,757,916
Accumulated depreciation	(569,609,565)
Net adjustment	<b>\$ 222,148,351</b>

## Notes to the Financial Statements

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

The details of this \$4,041,179 difference are as follows:

Taxes	\$	2,168,397
Superior court revenue		814,951
Other miscellaneous revenue		1,057,831
	\$	<u>4,041,179</u>

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

The details of this \$43,356,554 difference are as follows:

Net position of internal service funds	\$	42,178,487
Cumulative adjustment to business-type activities		1,178,067
	\$	<u>43,356,554</u>

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

The details of this \$(121,164,423) difference are as follows:

Bonds payable	\$	(45,765,245)
Amortized on bond issuance		(2,719,361)
Other non-current liabilities		(6,508,587)
Net OPEB obligation		(7,007,673)
Net Pension Liability		(50,072,551)
Compensated absences		(9,091,006)
	\$	<u>(121,164,423)</u>

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

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

## Notes to the Financial Statements

The details of this \$(2,130,787) difference are as follows:

Capital outlay	\$ 19,631,799
Depreciation expense	(19,548,093)
Loss on disposal of capital assets	(2,063,068)
Capital contributions	6,569
Asset transfers	(157,994)
	<u>\$ (2,130,787)</u>

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

The details of this \$1,519,442 difference are as follows:

Internal service fund change in net position	\$ 1,014,588
Allocation to business-type activities	504,854
	<u>\$ 1,519,442</u>

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

The detail of this \$9,848,588 entry is the net effect of these differences:

Principal outlay	\$ 6,247,166
Debt proceeds and capital leases	(251,119)
Amortized amounts on bond issuance	504,667
Long term debt interest	(103,095)
Net OPEB obligation	(923,689)
Pension Liability	4,574,567
Compensated absences	(199,909)
	<u>\$ 9,848,588</u>

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

The details of this \$501,404 difference are as follows:

Tax revenue	\$ 32,362
Court revenue	(118,279)
Other miscellaneous revenue	587,321
	<u>\$ 501,404</u>

## Notes to the Financial Statements

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

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

The details of this \$(1,178,067) are as follows:

Cumulative adjustment to business-type activities	\$ (1,178,067)
	<u>\$ (1,178,067)</u>

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

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

The details of this \$(504,854) are as follows:

Allocation to business-type activities	\$ (504,854)
	<u>\$ (504,854)</u>

## NOTE 3 – DEPOSITS AND INVESTMENTS

### A. Deposits

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

### B. Investments

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

## Notes to the Financial Statements

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

	Maturity	Market Value of Investments Held for Spokane County	Market Value of Investments held for Other Participants	Market Value All Investments
U.S. Treasury Obligations	9/27/2017	\$ 199,466,586	\$ 358,533,414	\$ 558,000,000
Federal Agencies	10/3/2017	94,709,755	170,237,093	264,946,849
Municipal Bonds	7/13/2016	10,981,071	19,738,047	30,719,118
County Notes	7/5/2018	2,147,612	3,860,248	6,007,860
Subtotal Investments		307,305,024	552,368,803	859,673,826
Local Government Investment Pool		38,152,903	68,578,357	106,731,260
Total Investments		\$ 345,457,927	\$ 620,947,159	\$ 966,405,087

### C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to a change in market interest rates. One way interest rate risk is managed is by staggering maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations. Interest rate risk is further mitigated by the purchase of variable rate step-up callable federal agency securities. The coupon rate of these investments increases or steps-up over the life of the security to reduce interest rate risk in a rising rate environment. The weighted average maturity for the Spokane County Investment Pool (SCIP) was 555 days during 2015. The maximum average maturity for the SCIP is thirty months. To ensure that there is always sufficient liquidity to meet obligations, the SCIP investment policy requires that at least 10% of the portfolio be invested in overnight investments and that the portfolio should be structured so that securities mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity. The following table shows a distribution of investments by maturity.

	Par	12 Months or Less	12-24 Months	24-36 Months	36-48 Months	48-60 Months
Bank Compensating CD's	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of WA LGIP *	106,731,260	106,731,260	-	-	-	-
Treasuries	560,000,000	140,000,000	180,000,000	200,000,000	40,000,000	-
Fixed Rate Federal Agencies	216,150,000	70,150,000	56,000,000	70,000,000	20,000,000	-
Callable Federal Agencies **	49,250,000	8,000,000	33,250,000	8,000,000	-	-
Fixed Rate Certificates of Deposits	-	-	-	-	-	-
Municipal Bonds	30,670,000	27,170,000	3,500,000	-	-	-
Spokane County Notes	6,007,860	1,440,124	181,105	1,086,630	3,300,000	-

\*The LGIP is an investment pool managed and operated by the State Treasurer's Office for the benefit of government entities in the State of Washington. The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report of the State of Washington. The LGIP is invested in 60 days and shorter and is invested in highly liquid instruments such as US Treasury, Agency and bank deposits. Investments are restricted to fixed rate securities that mature in 397 days or less and/or floating and variable rate securities that mature in 762 days or less. The portfolio must maintain a weighted average maturity of 60 days or less.

\*\*These fixed and variable-rate investments have maturity dates between 12 and 60 months, but are callable within one year.



## Notes to the Financial Statements

### D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Certain investments are measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits public fund investments to safe, high-quality securities including bankers acceptance, commercial paper, federal agency securities, U.S. Treasury securities, repurchase and reverse repurchase agreements, municipal bonds, certificates of deposits, mutual funds and money market funds. The SCIP investment policy, in accordance with state law, further limits the types of securities the County can invest in. Presented below is the minimum rating required by the state statute and the actual rating as of the end of the year 2015 for each type of investment.

Investment Type	Amount	Minimum Rating	Year End Rating
Treasuries	\$ 560,000,000.00	AA+	AA+
Federal Agency Securities	265,400,000.00	AA+	AA+
Municipal Bonds	5,500,000	A	AAA
Municipal Bonds	13,525,000	A	AA+
Municipal Bonds	250,000	A	A+
Municipal Bonds	11,395,000	A	A
Spokane County Notes	6,007,860	N/A	N/A
State LGIP *	106,731,260	N/A	N/A
Bank Compensating CD	-	N/A	N/A

### E. Concentration Risk

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

Issuer	Investment Type	Amount	Percentage
Federal Home Loan Bank	Government Agency	\$ 70,150,000	7%
Federal National Mortgage Assoc.	Government Agency	135,250,000	14%
US Treasury	Treasury Notes	560,000,000	58%

### F. External Investment Pool

The Spokane County Investment Pool (SCIP) records its investments at face value, net of unamortized premium or discount, and amounts to \$969,328,245 of the total investments at December 31, 2015. This reflects an increase over the prior year. Management intends to hold all securities until maturity. However, securities may be sold prior to maturity to protect the principal of the fund, adjust the position of the fund or to provide for liquidity. During 2015, the County realized \$24,894 in capital gains from the sale of investments. The unrealized loss on investments held at year end was \$2,923,159 and reversed itself in the first quarter of 2016. There were no investments purchased by districts not invested in the SCIP for 2015.

Money deposited by participants of the SCIP is treated as invested when deposited, while the other districts must direct us to invest their money. The district money not invested in the SCIP, as well as County departments that cannot invest their own money is invested by the County's general fund, which earns interest. This amount of residual at December 31, 2015, was \$29,492,836.

## Notes to the Financial Statements

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

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

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

Condensed statements for the Pool are presented below:

<b>Condensed Statement of Net Position</b>	<b>Condensed Statement of Changes in Net Position</b>
<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2015</b>
<b>Assets</b>	
Investments in SCIP	Investment income (net of distributions)
\$ 966,405,087	\$ (1,673,629)
District directed investments	Net change in pool investment deposits
-	134,435,668
Accrued interest receivable	Net change in directed investments
2,660,219	-
Due from other governments	Net decrease resulting from operations
-	132,762,039
<b>Total assets</b>	Net Position 12/31/2014
<u>969,065,306</u>	<u>835,626,359</u>
<b>Deferred Outflows of Resources</b>	
-	
<b>Liabilities</b>	
Distributions payable	External pool
676,908	622,221,502
	Internal pool
	346,166,896
	Directed investments
	-
<b>Total Liabilities</b>	Net Position 12/31/2015
<u>676,908</u>	<u>\$ 968,388,398</u>
<b>Deferred Inflows of Resources</b>	
-	
<b>Net Position</b>	
Assets held in trust	
968,388,398	
<b>Total Net Position</b>	
<u>968,388,398</u>	
Assets held in trust:	
External pool	622,221,502
Internal pool	346,166,896
Directed investments	-
<b>Total</b>	<u>\$ 968,388,398</u>

The external pool is 64.25% of the Spokane County Investment Pool.

## Notes to the Financial Statements

### NOTE 4 – PROPERTY TAXES

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

#### Property Tax Calendar

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

In governmental funds, property taxes are recorded as a receivable when levied, offset by a deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer in January. The balance of taxes receivable includes related interest and penalties. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectable.

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

- a) Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, not including new construction. If the rate increases by more than one percent for the year the County may use the highest tax rate from 1986 to compare to the current rate to establish if there was an increase greater or less than 1 percent. If the rate established is greater than 1 percent of the highest year from 1986 the rate will be reevaluated and decreased.
  
- b) Washington State law in RCW 84.52.050 limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts within a tax code area exceed this amount, each taxing district's rate is proportionately reduced until the total is at or below the one percent limit.

The County is also authorized to levy taxes in unincorporated areas up to \$2.25 per \$1,000 of assessed valuation for road construction and maintenance, which is subject to the same limitations as the levy for general government services. The maximum amounts which may be levied and the actual 2014 levies (for collection in 2015) were:

	Maximum Levy	Levy in Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.8000	\$ 1.45846	\$ 38,461,824,374	\$ 56,095,154
Conservation Futures	0.0625	0.04668	38,461,824,374	1,795,193
County Road	2.2500	1.68096	12,726,772,934	21,393,204

RCW 36.33.220 authorizes the County to divert a portion of the County Road levy to be used for the purpose of traffic law enforcement. The diverted road levy for 2014 to be collected in 2015 was \$1,200,000.

**Notes to the Financial Statements**

**NOTE 5 – CAPITAL ASSETS**

**A. Governmental Capital Assets**

Governmental capital asset activity for the year ended December 31, 2015 was as follows:

	December 31, 2014	Additions	Deletions	December 31, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 55,358,371	\$ 1,732,527	\$ (1,348,218)	\$ 55,742,680
Easements	106,739	46,496	-	153,235
Intangibles	-			-
Construction-in-progress	15,647,424	18,427,886	(12,693,987)	21,381,323
Total capital assets not being depreciated	<u>71,112,534</u>	<u>20,206,909</u>	<u>(14,042,205)</u>	<u>77,277,238</u>
Capital assets being depreciated				
Depleted land	2,528,749	159,005	-	2,687,754
Building and structures	128,149,496	3,684,531	(7,237,905)	124,596,122
Other improvements	560,508,162	6,087,152	319,180	566,914,494
Machinery and equipment	91,350,076	9,095,612	(5,811,890)	94,633,798
Total capital assets being depreciated	<u>782,536,483</u>	<u>19,026,300</u>	<u>(12,730,615)</u>	<u>788,832,168</u>
Intangible assets being amortized				
Software	3,732,108	70,075	-	3,802,183
Total intangible assets being amortized	<u>3,732,108</u>	<u>70,075</u>	<u>-</u>	<u>3,802,183</u>
Less accumulated depreciation and amortization for:				
Land	519,302	856	-	520,158
Building and structures	62,906,384	2,187,922	(5,698,664)	59,395,642
Other improvements	484,164,219	10,226,389	(501,477)	493,889,131
Machinery and equipment	57,769,871	9,965,775	(5,780,848)	61,954,798
Intangible software	1,390,011	899,001		2,289,012
Total accumulated depreciation and amortization	<u>606,749,787</u>	<u>23,279,943</u>	<u>(11,980,989)</u>	<u>618,048,741</u>
Total capital assets being depreciated and amortized, net	<u>179,518,804</u>	<u>(4,183,568)</u>	<u>(749,626)</u>	<u>174,585,610</u>
Governmental activities capital assets, net	<u>\$ 250,631,338</u>	<u>\$ 16,023,341</u>	<u>\$ (14,791,831)</u>	<u>\$ 251,862,848</u>

## Notes to the Financial Statements

### B. Business-Type Capital Assets

Business-type capital asset activity for the year ended December 31, 2015 was as follows:

	December 31, 2014	Additions	Deletions	December 31, 2015
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 11,249,870	\$ 203,507	\$ -	\$ 11,453,377
Construction-in-progress	5,366,553	3,768,215	(776,823)	8,357,945
Easements and other intangibles	1,074,905	-	-	1,074,905
Total capital assets being not depreciated	<u>17,691,328</u>	<u>3,971,722</u>	<u>(776,823)</u>	<u>20,886,227</u>
Capital assets being depreciated				
Building and structures	210,182,166	550,194	-	210,732,360
Other improvements	421,806,034	2,366,667	-	424,172,701
Machinery and equipment	8,779,300	248,797	(67,951)	8,960,146
Total capital assets being depreciated	<u>640,767,500</u>	<u>3,165,658</u>	<u>(67,951)</u>	<u>643,865,207</u>
Intangible assets being amortized				
Software	440,872	32,230	-	473,102
Capacity rights	4,253,265	5,142	-	4,258,407
Total intangible assets being amortized	<u>4,694,137</u>	<u>37,372</u>	<u>-</u>	<u>4,731,509</u>
Less accumulated depreciation and amortization for:				
Building and structures	19,647,047	4,205,272	-	23,852,319
Other improvements	112,262,383	9,022,809	-	121,285,192
Machinery and equipment	5,766,615	620,603	(59,951)	6,327,267
Software	309,555	80,274	-	389,829
Capacity rights	2,738,685	109,881	-	2,848,566
Total accumulated depreciation and amortization	<u>140,724,285</u>	<u>14,038,839</u>	<u>(59,951)</u>	<u>154,703,173</u>
Total capital assets being depreciated and amortized, net	<u>504,737,352</u>	<u>(10,835,809)</u>	<u>(8,000)</u>	<u>493,893,543</u>
Business-type activities capital assets, net	<u>\$ 522,428,680</u>	<u>\$ (6,864,087)</u>	<u>\$ (784,823)</u>	<u>\$ 514,779,770</u>

### C. Depreciation and Amortization

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

#### Governmental Activities:

General Government	\$ 1,799,192
Judicial Services	97,881
Public Safety	9,663,211
Physical Environment	2,384
Transportation	9,879,219
Economic Environment	16,465
Health and Human Services	171,501
Culture and Recreation	829,430
Total Depreciation - Governmental Activities	<u>\$ 22,459,283</u>

#### Business-Type Activities:

Sewer Operations	\$ 11,944,725
Other Enterprise Funds	2,094,114
Total Depreciation - Business-Type Activities	<u>\$ 14,038,839</u>

## Notes to the Financial Statements

### NOTE 6 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County has active construction projects as of December 31, 2015. The projects include road and bridge construction, the construction of residential sewers, and the Regional Wastewater Reclamation Facility.

Project	Spent to Date	Remaining Commitment
Road and Bridge Construction/Expansion	\$ 6,681,592	\$ 97,664
Stormwater Utilities	3,194,391	148,155
Regional Utilities Facilities	2,431,190	949,575

The commitment for road and bridge construction is financed by state and federal grants. The commitments for the residential sewers are being financed in part by the benefiting property owners. The Regional Wastewater Reclamation Facility is financed through property assessment rates for storm water service areas.

### NOTE 7 – PENSION PLANS

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Notes to the Financial Statements**

The following table represents the aggregate pension amounts for all plans subject to the requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension Assets	\$ 9,165,159
Deferred Outflows of Resources	10,907,674
Pension Liabilities	80,813,972
Deferred Inflows of Resources	15,071,623
Pension Expense	\$ 6,393,806

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

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

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

*Contributions* - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The County’s actual contributions to the plan were \$ 4,474,119 for the year ended December 31, 2015.

**Notes to the Financial Statements**

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

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

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

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

*Contributions* - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	Employer 2/3	Employee 2*	Employee 3
January through June 2015	9.21%	4.92%	varies
July through December 2015	11.18%	6.12%	varies

The County’s actual contributions to the plan were \$ 5,023,608 for the year ended December 31, 2015.



## Notes to the Financial Statements

### Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

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

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol)
- Washington State Counties
- Washington State Cities (except for Seattle, Spokane, and Tacoma)
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

*Contributions* - The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council

## Notes to the Financial Statements

adopts Plan 2 employer and employee contribution rates. The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The County's actual contributions to the plan were \$ 659,333 for the year ended December 31, 2015.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

*Contributions* - Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

## Notes to the Financial Statements

**Contributions** - The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The County's actual contributions to the plan were \$ 1,046,163 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2. Spokane County recorded its proportionate share of state special funding contributions, totaling \$653,161, as intergovernmental revenue.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

## Notes to the Financial Statements

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

- OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### Discount Rate

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

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

### Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

## Notes to the Financial Statements

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	100%	-

### Sensitivity of NPL

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

Pension Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 55,625,117	\$ 45,687,883	\$ 37,142,772
PERS 2/3	101,068,954	34,564,693	(16,355,127)
PSERS 2	4,265,840	561,397	(2,073,741)
LEOFF 1	(1,431,844)	(2,238,120)	(2,925,319)
LEOFF 2	\$ 6,936,980	\$ (6,927,039)	\$ (17,360,240)

### Pension Plan Fiduciary Net Position

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

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

**Notes to the Financial Statements**

At June 30, 2015, the County reported a total pension liability of \$ 71,648,814 for its proportionate share of the net pension liabilities as follows:

<b>Pension Plan</b>	<b>Liability or (Asset)</b>
PERS 1	\$ 45,687,883
PERS 2/3	34,564,693
PSERS 2	561,397
LEOFF 1	(2,238,120)
LEOFF 2	\$ (6,927,039)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the County were as follows:

<b>Special Funding Situation</b>	<b>Liability or (Asset)</b>
LEOFF 2 – employer’s proportionate share	\$ (6,927,039)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	(4,580,163)
TOTAL	\$ (11,507,203)

At June 30, the County’s proportionate share of the collective net pension liabilities was as follows:

<b>Pension Plan</b>	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	0.892411 %	0.873418 %	(0.018993)%
PERS 2/3	0.985698 %	0.967370 %	(0.018327)%
PSERS 2	2.870302 %	3.075809 %	0.205507 %
LEOFF 1	0.186403 %	0.185702 %	(0.000701)%
LEOFF 2	0.677960 %	0.673968 %	(0.003992)%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the State of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability

## Notes to the Financial Statements

will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the State of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the County recognized pension expense as follows:

Pension Plan	Pension Expense
PERS 1	\$ 1,641,327
PERS 2/3	4,069,663
PSERS 2	680,119
LEOFF 1	(437,245)
LEOFF 2	439,941
<b>TOTAL</b>	<b>\$ 6,393,806</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(2,499,626)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	2,460,596	-
<b>TOTAL</b>	<b>\$ 2,460,596</b>	<b>\$ (2,499,626)</b>

## Notes to the Financial Statements

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,674,237	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(9,227,136)
Changes of assumptions	55,692	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(589,713)
Contributions subsequent to the measurement date	2,688,080	-
<b>TOTAL</b>	<b>\$ 6,418,009</b>	<b>\$ (9,816,849)</b>

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 525,963	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(278,453)
Changes of assumptions	3,476	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,544	-
Contributions subsequent to the measurement date	344,413	-
<b>TOTAL</b>	<b>\$ 886,395</b>	<b>\$ (278,453)</b>

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(377,839)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (377,839)</b>

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 606,578	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(2,098,856)
Changes of assumptions	18,271	-
Changes in proportion and differences between contributions and proportionate share of contributions	20,924	-
Contributions subsequent to the measurement date	496,902	-
<b>TOTAL</b>	<b>\$ 1,142,674</b>	<b>\$ (2,098,856)</b>



**Notes to the Financial Statements**

Deferred Outflows totaling \$5,989,990 related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Amortization of Other Deferred Outflows and Inflows</b>					
<b>Year</b>	<b>PERS1</b>	<b>PERS2/3</b>	<b>PSERS2</b>	<b>LEOFF1</b>	<b>LEOFF2</b>
2016	(968,769)	(2,733,761)	(18,023)	(146,615)	(692,204)
2017	(968,769)	(2,733,761)	(18,023)	(146,615)	(692,204)
2018	(968,769)	(2,733,771)	(18,053)	(146,615)	(692,210)
2019	406,681	2,114,372	141,169	62,008	479,332
2020	-	-	88,245	-	120,168
Thereafter	-	-	88,214	-	24,034
<b>Total (DI)/DO</b>	<b>(2,499,626)</b>	<b>(6,086,920)</b>	<b>263,530</b>	<b>(377,839)</b>	<b>(1,453,084)</b>

**NOTE 8 – RISK MANAGEMENT**

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

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

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

**A. Self-Insurance Workers' Compensation - Fund 505**

This Fund accounts for the County's Self-Insurance Workers' Compensation Program which includes industrial injury/illness coverage as well as Health and Safety Programs. Prior to June 1, 1997, the County contracted with Self-Insured Risk Management Services (SIMS), a third-party administrator to process the County's workers' compensation claims. On June 1, 1997, the County's Risk Management Department assumed the responsibility of processing workers' compensation claims. The Workers' Compensation Fund is financed by interfund premiums charged to departments and a payroll deduction from employee wages. Interfund premiums are

## Notes to the Financial Statements

calculated on the number of hours worked by the department's employees multiplied by an hourly rate that varies for different worker classifications. Pricewaterhouse Coopers LLP completes an actuarial study annually. The actuary develops the worker classification rates and a year-end estimate of IBNR. The County purchases per-occurrence excess insurance with a self-insured retention of \$500,000 (\$750,000 for law enforcement). The County certifies annually to the State Department of Labor and Industries that cash reserves equal to at least 125% of claim costs are maintained.

### **B. Self-Insurance Dental - Fund 506**

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

### **C. Self-Insurance Liability and Property - Fund 507**

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

Spokane County was one of the founding members of the Pool that was formed on August 18, 1988, when 15 counties in the State of Washington joined together by signing an interlocal agreement to pool their self-insured losses and jointly purchase insurance and administrative services. RCW 48.62 authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of commercial insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of RCW 39.34, the Interlocal Cooperation Act. Twenty-six counties were participating in the Pool as of year-end 2015.

The Pool allows each member to establish individual insurance programs for non-coverage self-insurance and first party auto physical damage as well as personal property loss. Required ancillary insurance coverage programs for operations such as aircraft, employee dishonesty or crime, and underground petroleum storage tank liability are also managed by the County.

## Notes to the Financial Statements

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

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

Initial membership in the Pool required a minimum five year commitment and members are required to give notice one year before terminating participation. The interlocal agreement is renewed automatically each year until terminated. When members terminate their membership in the pool the member is still responsible to fulfill the deductible obligation to the Pool for any unresolved, unreported and in-process claims for the period it was a signatory to the interlocal agreement.

The Risk Pool is governed by a board of directors comprised of one member-appointed director from each participating county. An eleven member executive committee is elected by the board of directors with staggering three year terms and is responsible for conducting the business affairs of the pool.

### **D. Self-Insurance Medical - Fund 508**

The County's medical program offers two medical plans to employees, Group Health and Premera Blue Cross Preferred Provider. Prior to February 1, 2014, the County was not self-insured for employees covered under Group Health. A per person premium was paid directly to Group Health from the appropriate departments. Effective February 1, 2014 the Group Health plan was converted to a self-funded plan and funding for that plan is now handled identical to the Premera Plan as described below. The approval for the change was granted October 23, 2013 by the State of Washington Office of Risk Management.

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

**Notes to the Financial Statements**

case-specific insurance for claims in excess of \$200,000. In February of 2010, the case specific stop loss insurance was increased to \$300,000. This change was made to reduce stop-loss premiums.

**E. Self-Insurance Unemployment Compensation - Fund 509**

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

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

**Summary of Changes in Self-Insurance Funds Claims Liabilities**

Changes in funds' claims liabilities for the year ended December 31, 2015 were as follows:

Fund	December 31, 2014	Current Claims and Adjustments	Claim Payments	December 31, 2015
505	\$ 1,555,505	\$ 1,249,136	\$ (1,292,611)	\$ 1,512,030
506	317,400	1,956,630	(1,941,430)	332,600
507	7,551,055	3,342,142	(2,149,461)	8,743,736
508	3,501,400	22,447,224	(22,172,624)	3,776,000
<b>Total</b>	<b>\$ 12,925,360</b>	<b>\$ 28,995,132</b>	<b>\$ (27,556,126)</b>	<b>\$ 14,364,366</b>

Changes in funds' claims liabilities for the year ended December 31, 2014 were as follows:

Fund	December 31, 2013	Current Claims and Adjustments	Claim Payments	December 31, 2014
505	\$ 1,597,467	\$ 1,401,269	\$ (1,443,231)	\$ 1,555,505
506	359,400	1,878,261	(1,920,261)	317,400
507	7,286,635	2,679,374	(2,414,954)	7,551,055
508	1,903,400	20,644,787	(19,046,787)	3,501,400
<b>Total</b>	<b>\$ 11,146,902</b>	<b>\$ 26,603,691</b>	<b>\$ (24,825,233)</b>	<b>\$ 12,925,360</b>

**Notes to the Financial Statements**

**NOTE 9 – SHORT-TERM DEBT**

Short-term debt includes anticipation notes, uses of lines of credit, and similar loans with repayment expected within 12 months of origination. The County started the fiscal year with 2 short-term notes totaling \$130,000. One of which is reported in Fund 118 – Tax Refunds and the other reported in Fund 102 – Treasurer’s O&M. The County acquired 3 additional short-term notes in the amount of \$16,100,000. One note for \$10,500,000 reported in Fund 010 - General Fund and the other for \$5,500,000 reported in fund 435 were paid off in 2015. Only one note remains of \$100,000 reported in Fund 102 – Treasurer’s O&M to be financed with upcoming property tax collections.

Short-term activities for the year ended December 31, 2015 are as follows:

<b>DESCRIPTION</b>	<b>BEGINNING BALANCE</b>	<b>ISSUED</b>	<b>REDEEMED</b>	<b>BALANCE 12/31/2015</b>
<b><u>2014 Tax Anticipation Note</u></b>	\$ 50,000	\$ -	\$ 50,000	\$ -
Proceed Usage:				
Fund 118 - Tax Refund - Pay the NOANET tax refund ordered by court				
<b><u>2014 Tax Anticipation Note</u></b>	80,000	-	80,000	-
Proceed Usage:				
Treasurer's O&M Fund No.102 - Provide operating cash flow				
<b><u>2015 Tax Anticipation Note</u></b>	-	10,500,000	10,500,000	-
Proceed Usage:				
General Fund - 010 - Provide cash flow				
<b><u>2015 Tax Anticipation Note</u></b>	-	5,500,000	5,500,000	-
Proceed Usage:				
Solid Waste Fund - 435 - Acquire two transfer stations / Repay start-up loan				
<b><u>2015 Tax Anticipation Note</u></b>	-	100,000	-	100,000
Proceed Usage:				
Treasurer's O&M Fund - 102 - Provide operating cash flow				
<b>Total Short-Term Debt</b>	<b><u>\$ 130,000</u></b>	<b><u>\$ 16,100,000</u></b>	<b><u>\$ 16,130,000</u></b>	<b><u>\$ 100,000</u></b>

## Notes to the Financial Statements

### NOTE 10 – LONG-TERM DEBT

Spokane County has long-term debt reported with both governmental activities and business-type activities. For governmental activities, long-term debt consists of general obligation bonds, public works trust fund loans, and other general obligation liabilities. For business-type activities, long-term debt consists of general obligation bonds, revenue bonds, and other long-term liabilities that are accounted for in the enterprise funds.

Spokane County debt issuance costs are expensed. Bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of discounts.

#### A. General Obligation Debt

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligations bonds have been issued for both governmental and business-type activities and are repaid from the applicable resources. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. Limited tax general obligation (LTGO) bonds outstanding are as follows:

DESCRIPTION	ARBITRAGE RULES APPLY	INTEREST RATES	ANNUAL PAYMENT	ORIGINAL ISSUE AMOUNT	BALANCE AS OF 12/31/15
<b><u>2005 LTGO Refunding Bonds</u></b>	Y	3.00 -	\$ 57,881 -	\$ 848,620	\$ 86,737
Proceed Usage:		4.50%	86,736		
Retire a portion of the 1996 LTGO Bonds					
<b><u>2007 LTGO and Refunding Bonds</u></b>	Y	4.00 -	160,000 -	25,385,000	6,810,000
Proceed Usage:		5.50	3,070,000		
Partially fund Annual Sewer Const. Program					
Retire a portion 1998/1999 LTGO Bonds					
<b><u>2008 Series A Special Fund LTGO Bonds</u></b>	N	8.00	47,158	896,000	707,368
Proceed Usage:					
Public improvements tax increment area No. 2006-01					
<b><u>2008 LTGO Bonds</u></b>	Y	3.00 -	135,000 -	17,180,000	12,920,000
Proceed Usage:		4.50	1,265,000		
Partially fund Annual Sewer Construction Program					
Capital improvements Hangman Valley Golf Course					
Capital improvements Liberty Lk. Golf Course					
Acquisition Improvements Wastewater Reclaim Fac.					
<b><u>2010 Series A LTGO Taxable Subordinate Lien</u></b>	N	8.00	125,000	2,000,000	1,875,000
Proceed Usage:					
Public improvements Tax Increment Area No. 2006-01					
<b><u>2010 Series B LTGO Tax Exempt Bonds</u></b>	Y	3.00 -	2,130,000 -	25,385,000	18,790,000
Proceed Usage:		4.50	3,045,000		
Finance portion of Wastewater Reclamation Facility					

**Notes to the Financial Statements**

<b>DESCRIPTION</b>	<b>ARBITRAGE RULES APPLY</b>	<b>INTEREST RATES</b>	<b>ANNUAL PAYMENT</b>	<b>ORIGINAL ISSUE AMOUNT</b>	<b>BALANCE AS OF 12/31/15</b>
<b><u>2010 Series C LTGO Bonds (BAB)</u></b>	Y	4.34 -	3,180,000 -	36,525,000	36,525,000
Proceed Usage:		5.01	4,190,000		
Finance Wastewater System Project					
<b><u>2010 Series D LTGO Bonds</u></b>	N	0.85 -	960,000 -	17,905,000	12,680,000
Proceed Usage:		5.00	1,400,000		
Repay the Co.'s LTGO Raceway Park BAN					
Fund loan to the Health Sciences and Services Auth.					
Finance improvements Spokane Co. Raceway					
<b><u>2011 Series B LTGO Bonds</u></b>	Y	3.00 -	140,000 -	29,455,000	17,150,000
Proceed Usage:		5.00	4,400,000		
Refund portion 2003 Series A and C					
Finance Emergency Comm. System / Avista Stadium					
<b><u>2012 LTGO and Refunding Bonds</u></b>	Y	3.00 -	460,000 -	32,010,000	28,930,000
Proceed Usage:		5.00	1,915,000		
Finance loan to Public Facilities District					
Partially refund 2003/2004 A and C Bonds					
<b><u>2014 LTGO and Refunding Bonds</u></b>	Y	3.00 -	180,000 -	18,280,000	18,100,000
Proceed Usage:		5.00	1,690,000		
Finance Spokane Co. Regional Animal Protection					
Finance Solid Waste					
Partially refund 2007 LTGO					
<b>Total General Obligation Debt</b>				<b><u>\$205,869,620</u></b>	<b><u>\$154,574,105</u></b>

General obligation bond debt service requirements to maturity are as follows:

<b>YEAR ENDING DECEMBER 31,</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2016	\$ 11,255,895	\$ 2,071,334	\$ 13,327,229
2017	11,380,158	6,579,860	17,960,018
2018	11,550,158	6,074,811	17,624,969
2019	8,335,158	5,559,439	13,894,597
2020	8,025,158	5,186,439	13,211,597
2021-2025	41,506,790	20,219,524	61,726,314
2026-2030	38,800,788	10,375,982	49,176,770
2031-2035	18,370,000	2,362,376	20,732,376
2036-2040	3,180,000	669,500	3,849,500
2041-2043	2,170,000	142,513	2,312,513
<b>Total</b>	<b><u>\$ 154,574,105</u></b>	<b><u>\$ 59,241,776</u></b>	<b><u>\$ 213,815,881</u></b>

**Notes to the Financial Statements**

**B. Revenue Bond Debt**

The County issues revenue bonds to finance the construction of major capital facilities. Revenue bonds have been issued for business-type activities and are repaid from the applicable resources. Revenue bonds outstanding are as follows:

DESCRIPTION	ARBITRAGE RULES APPLY	INTEREST RATES	ANNUAL PAYMENT	ORIGINAL ISSUE AMOUNT	BALANCE AS OF 12/31/15
<b><u>2009A Revenue Bonds</u></b>	Y	3.50 -	\$ 6,130,000 -	\$ 33,465,000	\$ 27,335,000
Proceed Usage:		5.00%	7,275,000		
Construction/Operation Water Reclamation Facility					
<b><u>2009B Taxable Rev. Build America Bonds</u></b>	Y	5.49 -	7,640,000 -	91,130,000	91,130,000
Proceed Usage:		6.47	10,845,000		
Construction/Operation Water Reclamation Facility					
<b>Total Revenue Bond Debt</b>				<b><u>\$ 124,595,000</u></b>	<b><u>\$ 118,465,000</u></b>

Revenue bond debt service requirements to maturity are as follows:

YEAR ENDING DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL
2016	\$ 6,435,000	\$ 6,839,163	\$ 13,274,163
2017	6,695,000	6,581,763	13,276,763
2018	6,930,000	6,347,438	13,277,438
2019	7,275,000	6,000,938	13,275,938
2020	7,640,000	5,637,188	13,277,188
2021-2025	42,665,000	21,291,755	63,956,755
2026-2029	40,825,000	6,743,642	47,568,642
<b>Total</b>	<b><u>\$ 118,465,000</u></b>	<b><u>\$ 59,441,888</u></b>	<b><u>\$ 177,906,888</u></b>

**C. Component Unit**

In accordance with GASB Statement 14 and amended by GASB Statement 39, Spokane County is reporting the component units of Moran Prairie Library District with an ending outstanding debt balance of \$1,240,000. Spokane County is in no way financially responsible for this debt, but the Board of County Commissioners, while sitting on these individual boards, has a majority vote. Therefore, these districts become a component unit to the County.



**Notes to the Financial Statements**

**D. Public Works Trust Fund Loans**

The County also receives loans from other governments. The County's public works trust fund loans are to be repaid within 20 years in annual installments that range from \$19,018 to \$313,327 and will be financed by the County Road Fund, Sewer Enterprise Fund, Water Reclamation Facilities Fund, Community Service Funds, and the Equipment Rental and Revolving Fund. Public works trust fund loans outstanding are as follows:

<b>DESCRIPTION</b>	<b>ARBITRAGE RULES APPLY</b>	<b>INTEREST RATES</b>	<b>ANNUAL PAYMENT</b>	<b>ORIGINAL ISSUE AMOUNT</b>	<b>BALANCE AS OF 12/31/15</b>
<b><u>1995 North Spokane Interceptor</u></b> Proceed Usage: Sewer interceptor north of Spokane City	N	1.00%	\$ 118,421 - 134,046	\$ 2,500,000	\$ -
<b><u>2003 DOE Loan Septic Tank Elimination</u></b> Proceed Usage: Refinance obligations previously incurred for sewage system	N	1.50	235,877 - 313,327	10,640,000	3,867,196
<b><u>2005 Bigelow Gulch Forker Road</u></b> Proceed Usage: Reconstruct 8.3 miles of roadway from Havana St. to Sullivan Rd./Wellesley intersection	N	0.50	105,263	2,000,000	1,052,632
<b><u>2009 Bigelow Gulch Project</u></b> Proceed Usage: Reconstruct 8.3 miles of roadway from Havana St. to Sullivan Rd./Wellesley intersection	N	0.50	147,059	2,500,000	1,470,588
<b><u>2009 DOE Loan Water Reclamation Project</u></b> Proceed Usage: Design/Construct Wastewater Treatment Plant	N	1.50	191,211 - 252,104	8,593,615	5,979,585
<b><u>2013 Chiller and Controls Upgrades</u></b> Proceed Usage: Community Service Bldg. replacement of roof chillers and controls	N	0.50	61,964	619,644	619,644
<b><u>2013 Equipment Rental &amp; Revolving Loan</u></b> Proceed Usage: ER&R Bldg. replace HVAC, insulation and roof	N	1.25	19,018	380,356	380,356
<b>Total Public Works Trust Fund Loans</b>				<b><u>\$27,233,615</u></b>	<b><u>\$13,370,000</u></b>

**Notes to the Financial Statements**

Public works trust fund loan debt service requirements to maturity are as follows:

YEAR ENDING DECEMBER 31,	GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2016	\$ 333,304	\$ 20,469	\$ 990,643	\$ 144,001
2017	333,304	18,660	1,005,559	129,085
2018	333,304	16,850	1,020,698	113,945
2019	333,304	15,041	1,036,066	98,577
2020	333,304	13,232	1,051,666	82,978
2021-2025	1,666,521	39,023	3,257,399	222,527
2026-2030	95,089	9,509	1,484,749	39,217
2031-2035	95,089	3,566	-	-
<b>Totals</b>	<b>\$ 3,523,220</b>	<b>\$ 136,351</b>	<b>\$ 9,846,781</b>	<b>\$ 830,332</b>

**E. Other Debt**

Other debts outstanding are as follows:

DESCRIPTION	ARBITRAGE RULES APPLY	INTEREST RATES	ANNUAL PAYMENT	ORIGINAL ISSUE AMOUNT	BALANCE AS OF 12/31/15
<b><u>2012 Washington State Dept. of Transportation Loan</u></b> Proceed Usage: Maintain Geiger Spur railroad tracks and crossings	N	0.00%	\$ 18,000	\$ 180,000	\$ 126,000
<b><u>2012 Washington State Dept. of Commerce Loan</u></b> Proceed Usage: Realign and widen Hallet Rd. to new Industrial Park	N	3.00	33,333	500,000	500,000
<b><u>2011 Spokane Co. Investment Pool Promissory Note</u></b> Proceed Usage: Fund 117 Conservation Futures land purchase	N	1.90	241,200	964,800	-
<b><u>2012 Spokane Co. Investment Pool Promissory Note</u></b> Proceed Usage: Fund 503 Information Services purchase software licenses for PeopleSoft program	N	1.10	414,000	1,242,000	-
<b><u>2012 Spokane Co. Investment Pool Promissory Note</u></b> Proceed Usage: Fund 010 General Fund purchase ruggedized laptops for patrol cars	N	1.20	66,667	200,000	-
<b><u>2013 Spokane Co. Investment Pool Promissory Note</u></b> Proceed Usage: Fund 219 Energy Conservation Projects support mechanical, water and other efficiency upgrades to County campus	N	2.00	181,105 - 1,086,631	1,811,051	1,448,841
<b><u>2014 Contractual Obligation</u></b> Proceed Usage: Fund 515 Detention Services install and implement Offender Management System	N	0.00	85,369	768,317	597,579
<b>Total Other Loans</b>				<b>\$ 5,666,168</b>	<b>\$ 2,672,420</b>

**Notes to the Financial Statements**

Other loans debt service requirements to maturity are as follows:

<b>YEAR ENDING DECEMBER 31,</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2016	\$ 284,474	\$ 28,977	\$ 313,450
2017	284,474	25,355	309,828
2018	1,223,332	101,024	1,324,357
2019	136,702	14,000	150,702
2020	136,702	13,000	149,702
2021-2025	373,404	50,000	423,404
2026-2030	166,667	25,000	191,667
2031-2032	66,667	3,000	69,667
<b>Total</b>	<b>\$ 2,672,421</b>	<b>\$ 260,356</b>	<b>\$ 2,932,776</b>

**F. Advance Refunding of Debt**

In 2015 and prior years, the County defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County’s government-wide financial statements. As of December 31, 2015, the amount of defeased debt outstanding was \$ 8,375,000.

**G. Special Assessment Debt (Not Obligated)**

The County issues Special Assessment Bonds for Road Improvement Districts. As of December 31, 2015 the total amount issued with outstanding balances is \$4,193,200 from 2003 until 2015. The outstanding amount of these bonds was \$1,206,331. Of this debt the County is not liable to any registered owner of the bond for any loss to the guaranty fund occurring in the lawful operation thereof by the County.

**H. Legal Debt Margin**

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

The debt margins available at December 31, 2015 were as follows:

Indebtedness for general purposes without a vote	\$ 444,545,154
Indebtedness for general purposes with and without a vote	\$ 846,807,680

**Notes to the Financial Statements**

**NOTE 11 – LEASES**

**A. Operating Leases**

The County is committed under various leases for buildings, office space and other equipment. Such leases are considered to be operating leases for accounting purposes. Lease expenditures for the year ended December 31, 2015 amounted to \$698,613 for Governmental Activities and zero for Business-Type Activities.

The future minimum lease payments for these operating leases are:

<b>Year Ended December 31,</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2016	\$ 712,969	\$ -
2017	693,344	-
2018	631,354	-
2019	181,974	-
2020	81,503	-
2021-2025	225,014	-
2026-2030	187,044	-
2031-2035	127,844	-
2036-2040	56,793	-
2041-2082	98,200	-
Total	<u>\$ 2,996,038</u>	<u>\$ -</u>

**B. Capital Leases**

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

The assets acquired through capital leases are as follows:

<b>Asset</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Machinery and Equipment	\$ 4,679,992	\$ 71,507
Land	-	-
Less Accumulated Depreciation	(4,069,132)	(18,807)
<b>Total Assets</b>	<u>\$ 610,860</u>	<u>\$ 52,700</u>

## Notes to the Financial Statements

The future minimum lease payments as of December 31, 2015 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2016	\$ 136,396	\$ 14,025
2017	114,993	13,164
2018	96,105	11,958
2019	65,191	11,611
2020	30,013	1,967
2021 - 2110	-	-
Total Minimum Lease Payments	<u>442,699</u>	<u>52,725</u>
Less: Interest	-	-
Present Value of Minimum Lease Payments	<u>\$ 442,699</u>	<u>\$ 52,725</u>

### NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ending December 31, 2015 was as follows:

	December 31, 2014	Additions	Reductions	December 31, 2015	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds <sup>2</sup>	\$ 51,155,058	\$ -	\$ (5,389,813)	\$ 45,765,245	\$ 6,115,895
Less: Amounts					
On Refunding	(251,045)	-	32,034	(219,011)	(31,791)
On Premium/(Discount)	3,475,070	-	(536,701)	2,938,369	536,701
Total Bonds Payable	<u>54,379,083</u>	-	<u>(5,894,480)</u>	<u>48,484,603</u>	<u>6,620,805</u>
Public Works Trust Fund Loan	3,775,542	-	(252,322)	3,523,220	333,304
Notes Payable <sup>3</sup>	3,678,761	-	(1,006,341)	2,672,420	284,474
Capital Leases	475,880	323,902	(357,080)	442,702	136,396
OPEB Liability	6,083,984	2,406,689	(1,483,000)	7,007,673	-
IBNR Liability <sup>1</sup>	12,925,360	28,995,132	(27,556,126)	14,364,366	7,581,143
LT Accrued Interest	874,727	1,345,502	(874,727)	1,345,502	958,065
Compensated Absences	10,492,336	199,909	(5,220)	10,687,025	-
Pension Liability (GASB 68)	59,040,941	14,369,584	-	73,410,525	-
<b>Total Governmental Activities</b>	<u>\$ 151,726,614</u>	<u>\$ 47,640,718</u>	<u>\$ (37,429,296)</u>	<u>\$ 161,938,035</u>	<u>\$ 15,914,187</u>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$ 124,595,000	\$ -	\$ (6,130,000)	\$ 118,465,000	\$ 6,435,000
General Obligation Bonds	115,438,859	-	(5,390,000)	110,048,859	5,393,000
Less: Amounts					
On Refunding	(1,453,546)	-	150,572	(1,302,974)	149,043
On Premium/(Discount)	10,543,865	-	(970,489)	9,573,376	958,916
Total Bonds Payable	<u>249,124,178</u>	-	<u>(12,339,917)</u>	<u>236,784,261</u>	<u>12,935,959</u>
Public Works Trust Fund Loan	10,956,775	-	(1,109,985)	9,846,790	990,643
Landfill Closure Liability	25,044,498	-	(1,469,863)	23,574,635	-
Capital Leases	23,106	41,965	(12,345)	52,726	14,025
Compensated Absences	847,899	31,025	-	878,924	-
Pension Liability (GASB 68)	5,839,214	1,564,233	-	7,403,447	-
<b>Total Business-Type Activities</b>	<u>\$ 291,835,670</u>	<u>\$ 1,637,223</u>	<u>\$ (14,932,110)</u>	<u>\$ 278,540,783</u>	<u>\$ 13,940,627</u>

<sup>1</sup> Short-term IBNR included in Accounts and Vouchers Payable on the Statement of Net Position

<sup>2</sup> Includes 2014 Ending Balance for Component Unit Debt

<sup>3</sup> Includes OMS Added 2014

**NOTE 13 – CONTINGENCIES AND LITIGATION**

**Contingent Liabilities**

**Self-Insurance Liabilities**

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

**Federal and State Assistance Liabilities**

The County participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. County management believes that such disallowances, if any, will be immaterial, or there are adequate reserves in the General Fund to satisfy any disallowances.

**Pollution Remediation Sites**

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

In addition to the above, the County may incur a potential liability if the following event were to occur:

The County's landfills are closed and no longer accepting waste. However, the federal or state government could impose greater pollution remediation at their discretion. See Note 19 for further information on the County's landfills and landfill closure.

**Bigelow Gulch Road Project Right of Way**

The County, Federal Highway Administration, and Washington State Department of Transportation engaged in discussions/negotiations regarding right of way acquisition issues in conjunction with the Bigelow Gulch/Forker Corridor. Such discussions/negotiations resulted in a Memorandum of Agreement ("MOA") executed by the County on January 11, 2012. During 2015 all remediation work was completed and the MOA was acknowledged complete by all parties.

**Notes to the Financial Statements**

**NOTE 14 – RESTRICTED NET POSITION**

The government-wide Statement of Net Position reports \$151,035,151 of restricted net position, of which \$42,395,164 is restricted by enabling legislation.

**NOTE 15 – INTERFUND BALANCES AND TRANSFERS**

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

Interfund transfers occurring between individual major funds, non-major governmental, non-major enterprise, and internal service funds of the County during the year ended December 31, 2015 are as follows:

	Fund Level Financial Statements		Government-Wide for Asset Transfers		Elimination Net Balance
	Transfers In	Transfers Out	Transfers In	Transfers Out	
Governmental Activities					
General Fund	\$ (2,756,076)	\$ 7,667,445	\$ -	\$ -	\$ 4,911,370
Road Fund	(216,969)	-	-	-	(216,969)
Mental Health	-	2,144,955	-	-	2,144,955
Non-Major Governmental	(6,440,530)	10,446,153	-	-	4,005,623
Internal Services	(2,404,079)	-	-	-	(2,404,079)
<b>Total Governmental Activities</b>	<b>(11,817,654)</b>	<b>20,258,554</b>	<b>-</b>	<b>-</b>	<b>8,440,900</b>
Business-Type Activities					
Sewer Fund	(500,000)	-	-	-	(500,000)
Non-Major Enterprise	(8,643,637)	702,738	-	-	(7,940,900)
<b>Total Business-Type Activities</b>	<b>(9,143,637)</b>	<b>702,738</b>	<b>-</b>	<b>-</b>	<b>(8,440,900)</b>
<b>Total Interfund Transfers</b>	<b>\$(20,961,291)</b>	<b>\$ 20,961,291</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The composition of interfund balances at December 31, 2015 was as follows:

	Due From	Due To	Elimination Net Balance
	Other Funds	Other Funds	
Governmental Activities			
General Fund	\$ 973,693	\$ (3,595,858)	\$ (2,622,165)
Road Fund	200,265	(1,312,595)	(1,112,330)
Mental Health	1,310	(589,163)	(587,854)
Non-major Governmental	791,091	(1,170,654)	(379,563)
Internal Service Funds	4,895,898	(352,311)	4,543,587
<b>Total Governmental Activities</b>	<b>6,862,256</b>	<b>(7,020,581)</b>	<b>(158,325)</b>
Cumulative Effect of Internal Service Fund Activity from Note 2			1,178,067
			<u>1,019,742</u>
Business-type Activities			
Sewer Fund	533,546	(80,835)	452,711
Non-major Enterprise	384,186	(678,571)	(294,385)
<b>Total Business-type Activities</b>	<b>917,732</b>	<b>(759,407)</b>	<b>158,325</b>
Cumulative Effect of Internal Service Fund Activity from Note 2			(1,178,067)
			<u>(1,019,742)</u>
<b>Total Interfund Balances</b>	<b>\$ 7,779,988</b>	<b>\$ (7,779,988)</b>	<b>\$ -</b>

## Notes to the Financial Statements

These interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. Per the financial statements, the Due from Other Funds balance for the General Fund is reported as \$7,458,693. Due to Other Funds balance for Other Governmental Funds is reported as \$7,655,654. Of these amounts, \$6,485,000 is a loan between the General Fund and the Health Sciences and Services Authority which is a component unit report in Fund 199. The remaining balances of \$973,693 and \$1,170,654 are the actual due from/to other funds for the General Fund and Other Governmental Funds respectively.

### Computer Aided Dispatch/Record Management System (CAD/RMS) Upgrade Project

CAD/RMS is a joint upgrade project by Spokane County, the City of Spokane and other smaller entities to upgrade the old CAD/RMS system that is outdated and needing replacement. The project costs are being paid through the Internal Service Fund-Fund 503 (ISD) with those costs being reimbursed by the City of Spokane and smaller entities (Capital Contributions); as well as from Non-Major Governmental Funds-Fund 132 (911), Fund 160 (SRECS) and Fund 010 (General Fund) via Interfund Transfers. The total Interfund Transfers In to Fund 503 (ISD) from Fund 132 (911), Fund 160 (SRECS) and Fund 010 (General Fund) is about \$1.8 million. Transfers are the appropriate way to account for this transaction as the asset is being funded by other parties with no equivalent flow of assets in return for the funding, per GASB guidance. Once the project is complete and functional then interfund transfers will not be used; Fund 503 (ISD) will bill the appropriate entities based on the usage of the new CAD/RMS system.

### Property Tax Road Levy Shift

Per resolution 14-0899, the County Commissioners created a one-time Property Tax Road Levy Shift for 2015 property tax levies. The tax shift resulted in a transfer of \$5.97 million dollars from Fund 010 (General Fund) to Enterprise Fund 435 (Solid Waste) for the retirement of debt.



**Notes to the Financial Statements**

**NOTE 16 – RECEIVABLES**

Receivables as of December 31, 2015 for the County’s governmental activities major funds, aggregate non-major funds, internal service funds, enterprise major funds and aggregate non-major funds, including the applicable allowance for uncollectible accounts, are shown in the following table:

	Taxes	Accounts	Special Assessments	Interest	Other	Total	Due From Other Governments
Governmental activities:							
General Fund	\$1,738,550	\$ 543,688	\$ -	\$ 23,268	\$ 341,680	\$ 2,647,185	\$ 12,846,937
Road Fund	657,861	1,740	-	5,980	101,898	767,479	3,359,108
Mental Health	15,395	-	-	27,411	755,629	798,434	2,052,652
Nonmajor Governmental	126,494	173,839	18,498	27,692	86,564	433,087	6,418,989
Internal Service	-	28,855	-	21,704	281,133	331,692	1,487,438
	<u>2,538,300</u>	<u>748,122</u>	<u>18,498</u>	<u>106,053</u>	<u>1,566,905</u>	<u>4,977,877</u>	<u>26,165,125</u>
Business-type activities:							
Sewer Fund	-	623,621	4,054,107	90,189	10,549	4,778,465	-
Nonmajor Enterprise	-	899,717	-	20,313	138,530	1,058,559	436,504
	<u>-</u>	<u>1,523,337</u>	<u>4,054,107</u>	<u>110,502</u>	<u>149,079</u>	<u>5,837,024</u>	<u>436,504</u>
Total receivables	<u>\$2,538,300</u>	<u>\$2,271,459</u>	<u>\$ 4,072,604</u>	<u>\$ 216,555</u>	<u>\$1,715,984</u>	<u>\$10,814,902</u>	<u>\$ 26,601,628</u>
Governmental activities:							
Total Fund Level Receivables						4,977,877	26,165,125
Balance of Entity-wide Accruals						814,951	-
Total Entity-wide Receivables for Governmental Activities						<u>\$ 5,792,828</u>	<u>\$ 26,165,125</u>

## Notes to the Financial Statements

### NOTE 17 – JOINT VENTURES

The County participates in two joint ventures; the Spokane International Airport and the Spokane Regional Transportation Council. Effective this year, the County's participation in the Spokane Regional Health District has changed in substance from a joint venture to a jointly governed organization. The County does not have any explicit, measurable equity interest in these joint ventures.

#### A. Spokane International Airport

Spokane International Airport is jointly owned and operated by the City and County of Spokane through a joint operating agreement in accordance with the "Airport Joint Operating Agreement", adopted June 30, 1962 and amended February 2, 2010. This agreement is pursuant to RCW 14.08.200 with a proportionate interest of 50% by both municipalities. The summary below is from the Airport's unaudited comprehensive annual financial report for the fiscal year ended December 31, 2015.

Total Assets	\$ 320,554,285
Total Deferred Outflow of Resources	603,135
Total Liabilities	(29,879,517)
Total Deferred Inflow of Resources	(1,018,778)
Total Net Position	<u>\$ 290,259,125</u>
Operating Revenues	\$ 30,236,523
Operating Expenses	<u>(43,072,116)</u>
Operating income (loss)	(12,835,593)
Nonoperating revenues (expenses)	9,199,025
Capital contributions	<u>8,827,247</u>
Increase in Net Position	5,190,679
Net Position, beginning of the year	<u>285,068,446</u>
Net Position, end of the year	<u>\$ 290,259,125</u>

At December 31, 2015, the Airport had \$7,635,000 in long-term revenue bonds outstanding with \$2,095,000 due on the current portion in 2016. 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 \$6,406,797.

The Spokane Airport Board administers the operations of the airport and is composed of seven members. Three members are appointed by the County, three by the City and one jointly appointed by the County and the City. The County does not exercise any specific control over the budgeting and financing of the airport's activities. The complete financial report may be obtained by contacting the Spokane International Airport.

## Notes to the Financial Statements

### B. Spokane Regional Transportation Council

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

The Council is governed by a Policy Board consisting of 14 voting members and three ex-officio non-voting members. The board composition includes:

- One person representing Spokane Transit Authority
- One person representing Spokane Airport Board
- One elected official from a small town to represent jurisdictions with populations fewer than 5,000
- Three elected officials from small towns to represent jurisdictions with populations between 5,001 and 50,000
- One elected official from each respective governing body with a population between 50,001 and 100,000
- Two elected officials from each respective governing body with a population over 100,001
- Two State Transportation representatives, one from the Washington State Department of Transportation appointed by the Secretary of Transportation and one from the Washington State Transportation Commission appointed by the Chair of the Commission
- One person representing a major employer, with preference for a provider of private sector transportation services within the region
- The Chair of SRTC's Transportation Advisory Committee (TAC)
- One representative of the rail industry
- The Chair of the Transportation Technical Committee (TTC)

The board selects management of the Council, who controls collection and disbursement of funds. The summary below is from the Council's unaudited annual report for the fiscal year ended December 31, 2015.

Total Assets	\$ 448,452
Total Liabilities	<u>448,452</u>
Total Net Position	<u><u>-</u></u>
Total Revenues	1,588,233
Total Expenses	<u>1,516,560</u>
Increase in Net Position	<u><u>\$ 71,673</u></u>

At December 31, 2015, 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.

### Jointly Governed Organization - Spokane Regional Health District

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

## Notes to the Financial Statements

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

The County supports public health for its population through annual contributions to the District. In 2015, Spokane County contributed \$ 2,660,102 to the District and sold the Spokane Regional Health Building to the District for zero dollars. This building sale agreement includes provisions that Spokane County will recover ownership of the building under any of the following circumstances:

- County chooses to withdraw as a participant of the District.
- The District vacates the Spokane Regional Health Building.
- The District ceases to provide public health services in the Spokane Regional Health Building.

The sale agreement also contains a provision that the District will offer to lease space not necessary to carry out its legal responsibilities to the County. The District has agreed to lease space at the rate specified in the sale contract.

### **NOTE 18 – OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

#### **Plan Description**

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

In 1970, the Law Enforcement Officer's and Fire Fighter's (LEOFF) retirement system was established by the Legislature under RCW 41.26. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Under LEOFF Law, the necessary hospital, retiree medical and nursing care expenses not payable by Workers' Compensation, Social Security, etc., are covered for any active or retired LEOFF Plan 1 member.

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

#### **Eligibility**

Employees are eligible to receive lifetime retiree medical benefits upon service retirement after age 50 with at least five years of service. If they are not eligible to retire when leaving LEOFF, but have 20 years of service credit, they are eligible for retiree medical benefits when pension benefits commence. Employees also receive lifetime benefits upon disability.

#### **Funding Policy**

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

**Notes to the Financial Statements**

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 23 years as of January 1, 2014. The following table shows the components of the County's annual OPEB cost for the year ended December 31, 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for LEOFF.

Annual Required Contribution (ARC)	\$ 2,574,690
Interest on Net OPEB Obligation	228,149
Adjustment to ARC	<u>(396,150)</u>
Annual OPEB Costs (Expense)	2,406,689
Contributions Made	<u>1,483,000</u>
Increase in Net OPEB Obligation	<u>923,689</u>
Net OPEB Obligation - beginning of year	<u>6,083,984</u>
Net OPEB Obligation - end of year	<u>\$ 7,007,673</u>

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013, 2014, and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Costs Contributed	Net OPEB Obligation
12/31/2012	\$ 2,247,866	66.0%	\$ 4,210,501
12/31/2013	2,225,223	65.0%	4,981,724
12/31/2014	2,446,260	55.0%	6,083,984
12/31/2015	\$ 2,406,689	62.0%	\$ 7,007,673

**Funded Status and Funding Progress**

As of January 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for the benefits was \$39.2 million, and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$39.2 million. Covered Payroll for 2014 was \$0, yielding a ratio of UAAL to covered payroll of 0%. In 2014, there were no active employees in this plan.

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

## Notes to the Financial Statements

### Actuarial Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 3.75% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The 2014 actuarial valuation also assumes a healthcare costs trend rate of 6.0% and 6.2% for members pre-65 and post-65, respectively.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortized period at January 1, 2014 was 23 years.

### NOTE 19 – CLOSURE AND POST-CLOSURE CARE COST

#### A. Landfill Closure

##### Background

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

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

##### Mica Landfill

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

## Notes to the Financial Statements

### Greenacres Landfill

A remedial investigation/feasibility study (RIFS) was completed in 1989. In 1997, the County and the Department of Ecology entered into a consent decree providing for design and construction of a landfill cover system. The cover system was constructed in 1998 with only minor warranty items completed in 1999. The state provided up to 50% of the funding for this project in the amount of \$2.85 million. As part of the cover construction, an active gas collection system and flaring station were installed. In 2008, a biofilter was approved and constructed to better control emissions and odors. The flaring station remains as a backup control. A five-year review for the Greenacres Landfill was performed by the Department of Ecology in 2012. No additional measures were required as a result of the review. Routine operation and maintenance activities are ongoing. Landfill gas and groundwater are monitored in accordance with an approved sampling and analysis plan.

### Colbert Landfill

The RIFS was completed for Colbert in 1987. As a result of the consent decree, it was agreed that the remedial action would consist of a groundwater pump and treatment system. Design of the treatment facility and evaluation of the aquifer pumping characteristics was completed in 1993. Construction is complete and the system has been operating since June, 1994. The overall system involves pumping groundwater from a series of extraction wells, some in the interior and others located along the leading edge of the contaminant plume. The water is treated and contaminants removed as it passes through an air-stripping tower. The clean groundwater is then tested and discharged into the Little Spokane River. As a result of the contamination, two aquifers in the general vicinity of the landfill have been impacted. In addition to the treatment, monitoring and testing of the groundwater, modeling of the aquifers and contaminant migration are ongoing. A third five-year review was conducted in 2004 by the Department of Ecology and EPA. As a result of that review, additional monitoring was added and the list of constituents of concern expanded to include 1,4-Dioxane. The total cost of the project including studies, design and construction was approximately \$10 million. The plant is expected to operate over the next 20 to 30 years, with operating and maintenance costs projected to be in the \$15 to \$17 million range. In 2009, the EPA conducted a fourth five-year review which recommends that a Remedial Site Evaluation (RSE) be conducted to evaluate the effectiveness of the cleanup program and to look for cost saving adjustments. The RSE was conducted in 2010 and concluded that the pump and treat system may have achieved what is technically feasible with regard to clean up levels and may no longer add to the overall protectiveness of the remedial action. Therefore, a shutdown test of the pump and treat system was deemed appropriate, along with increased monitoring, to determine the necessity of future pump and treat operations. A final proposal of a shutdown plan was submitted to and approved by the EPA and the Washington State Department of Ecology. The shutdown test was initiated in April 2014 when all operating extraction wells were turned off and placed into stand-by mode. Quarterly sampling is currently ongoing to evaluate any observed changes in the aquifer resulting from the shutdown test. Routine residential groundwater monitoring and landfill gas monitoring is ongoing.

## Notes to the Financial Statements

### Marshall Landfill

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

### Costs

As of December 31, 2015, the County updated estimates of the amount required to pay for closure, cleanup, remedial actions and monitoring at the County's four landfill sites. The County estimated these costs to be \$23,574,635. This estimate is subject to change due to changes in technology, inflation, deflation, or applicable laws or regulations.

### Funding Sources

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

In order to provide funds for the closure, post-closure and remedial actions of the County's pre-existing landfills, the City agreed in the inter-local agreement to provide to the County an amount not to exceed \$20,000,000. All of this \$20,000,000 was spent by December 31, 1995. The remaining estimated \$23,574,635 landfill liability will be funded by grants, insurance settlements, and payments from potentially liable parties.

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

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

### B. County-City Interlocal Agreements

The County and the City of Spokane entered into several interlocal agreements to provide the framework for the management, handling, and disposal of solid waste within the service area consisting of the City, the unincorporated areas of the County, and the regional cities. All interlocal agreements for the management of regional solid waste between Spokane County, the City of Spokane, Spokane Valley, and the regional cities expired on November 16, 2014. A new interlocal agreement between Spokane County and the City of Spokane went into effect on November 17, 2014. Under that agreement Spokane County took over operation of the Regional Solid Waste System and ownership of the two system transfer stations. Spokane County conducted a rate study to establish gate fees at the transfer stations and evaluate potential funding mechanisms for landfill post closure costs. The County is still working toward an equitable method of financing landfill post closure maintenance and operation costs.



## Notes to the Financial Statements

### NOTE 20 – POLLUTION REMEDIATION OBLIGATIONS

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

The County owns one site where pollution has been detected, 750 North Hayford Road (Spokane County Raceway). The County will be responsible in part for remediation of contaminants that were detected at the Spokane County Raceway. In 2014, a settlement agreement was reached where the County received \$350,000 for remediation. Any costs in excess of this amount will be absorbed by the County. Cost estimates are not expected to exceed this amount. However, it is uncertain how much work the County will be required to perform and how much it will cost. See Note 13 - Contingencies and Litigations for more details on the status of this site.

### NOTE 21 – PRIOR PERIOD ADJUSTMENTS

#### Corrections

##### Fund Level

Fund 160 - Emergency Communications: In 2015, it was discovered that a portion of two invoices paid in 2013 that were previously capitalized were actually for maintenance expense. The maintenance portion of the expense was for a five year contract beginning June 1, 2015. As such, the expense should have been recorded as a pre-paid expense back in 2013. An analysis was done of the amount that should have still been left in prepaid to pay for this maintenance contract as of December 31, 2015. A prior period adjustment was done in the amount of \$387,724 to adjust the pre-paid asset back to the financial statements. This adjustment was eliminated at the entity-wide level. The capital asset that was previously added was removed from the fixed asset inventory. The removal of the capital asset was offset by the addition of the pre-paid asset, resulting in no entity-wide prior period adjustment.

##### Fund Level and Entity-wide

Fund 110 – County Roads: In 2015, the County applied for new funding from the County Road Administration Board (CRAB) for work on the Bigelow Gulch project. In reviewing the application, the CRAB board determined that there was an earlier agreement for this same section, covering the same scope of work. It was discovered that the earlier contract did not accomplish the widening and resurfacing cited in the prospectus and the County had already been reimbursed. In order for the County to pursue additional funding, it was required that they return the \$1,500,000 of funding the County had originally received for the Bigelow Gulch project in 2003. Since the 2015 repayment was returning grant revenue from a prior year, it was recorded as a prior period adjustment.

#### Adjustments for Change in Accounting Principle

Statement No. 68 Accounting and Financial Reporting for Pensions: GASB 68 was implemented for the year ended December 31, 2015. GASB Statement No. 68 requires entities who participate in a cost-sharing benefit plan to recognize pension liabilities, expenses, deferred outflows of resources, and deferred inflows of resources. The amounts to be recorded

## Notes to the Financial Statements

represent an allocation of balances which exist on the records of the pension plan itself. Restatement in accordance with GASB Statement No. 68 resulted in a reduction to Beginning Net Position in the amount of \$81,275,341. Of this reduction, \$54,647,117 relates to Governmental Funds, \$18,758,173 relates to Internal Service Funds, and \$7,870,051 relates to Enterprise Funds. For more detailed information, see Note 7-Pensions.

There were no other prior period adjustments recorded in 2015.

### NOTE 22 – ACCOUNTING AND REPORTING CHANGES

In 2015, the County implemented two new Governmental Accounting Standards Board pronouncements; GASB Statements 68 and 71.

Statement No. 68, Accounting and Financial Reporting for Pensions, was implemented for the year ended December 31, 2015. GASB Statement No. 68 requires entities who participate in a cost-sharing benefit plan to recognize pension liabilities, expenses, deferred outflows of resources and deferred inflows of resources. The amounts to be recorded represent an allocation of balances which exist on the records of the pension plan itself. Restatement in accordance with GASB Statement No. 68 resulted in a reduction to Beginning Net Position in the amount of \$ 81,275,341 due to the cumulative effect of a change in accounting principle. *(See Note 21, Prior Period Adjustments for more information)*

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, was implemented for the year ended December 31, 2015. GASB Statement No. 71 amends GASB Statement No. 68 to require entities to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

Any corrections of errors in previously issued financial statements are described in the note on Prior Period Adjustments.

### NOTE 23 – OTHER DISCLOSURES

#### Deficit Fund Equity

As of December 31, 2015, two funds were reporting deficit balance; there were no major funds with deficit fund balance.

<u>Fund</u>	<u>Deficit</u>
404 – Utilities Landfill Closure	\$ 16,204,413
512 – Public Works Administration	\$ 101,515

## Notes to the Financial Statements

The County is taking the following actions to eliminate the deficit in the funds:

### **Fund 404 – Utilities Landfill Closure**

Refer to Note 19 for the landfill closure liability and associated fund balance.

### **Fund 512 – Public Works Administration**

The deficit fund balance in Fund 512 is the result of a change in accounting principle due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in 2015. Refer to Note 7 and Note 22 for detailed information on the implementation of GASB 68.

### **Government-Wide Statement of Net Position**

The Government-Wide Statement of Net Position displays a negative Unrestricted Net Position balance. This balance decreased from \$66,400,773 in 2014 to (\$1,149,872) in 2015. This is primarily due to the implementation of GASB Statement No. 68, Pension Accounting and Reporting.

### **Subsequent Events**

On May 19, 2016, the County issued \$15 million in LTGO Refunding Bonds. These bonds bear an interest rate of 2.2 percent and will be redeemed over the next 12 years with enterprise fund revenues.

Refunded bonds include portions of:

- 2007 LTGO Bonds (Fund 400)
- 2008 LTGO Bonds (Funds 400 and 405)

**Spokane County, Washington  
Budgetary Comparison Schedule  
010 - General Fund  
For the Year Ended December 31, 2015**

	Original 2015 Budget	Final 2015 Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	93,023,032	93,023,032	95,373,311	2,350,278
Licenses and Permits	1,182,100	1,182,100	1,192,509	10,409
Intergovernmental	16,972,136	17,260,934	14,391,491	(2,869,443)
Charges for Services	35,436,585	35,491,705	36,613,246	1,121,541
Fines and Forfeits	7,007,920	7,007,920	7,086,678	78,758
Interest	1,256,310	1,256,310	1,267,947	11,637
Contributions and Donations	4,535	24,555	36,092	11,537
Other Miscellaneous Revenues	8,265,487	8,274,421	672,572	(7,601,849)
<b>Total Revenues</b>	<b>163,148,105</b>	<b>163,520,977</b>	<b>156,633,846</b>	<b>(6,887,131)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	53,114,202	52,087,214	42,731,229	9,355,985
Judicial	14,803,623	14,762,773	14,227,067	535,706
Public Safety	81,935,306	86,162,420	82,226,074	3,936,346
Physical Environment	-	-	-	-
Transportation	20,000	20,000	5,625	14,375
Economic Environment	737,012	747,367	734,752	12,615
Health and Human Services	4,788,116	4,826,646	4,552,748	273,898
Culture and Recreation	2,790,131	2,829,908	2,736,584	93,324
Debt Service:				
Principal Outlay	1,735,597	1,771,416	1,753,720	17,696
Interest Expenditure	1,108,186	1,112,100	1,114,961	(2,861)
Capital Outlay	1,005,911	2,024,842	1,868,520	156,322
<b>Total Expenditures</b>	<b>162,038,084</b>	<b>166,344,686</b>	<b>151,951,280</b>	<b>14,393,406</b>
Excess (Deficiency) of Revenues Over Expenditures	1,110,021	(2,823,709)	4,682,566	7,506,274
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer - In	4,115,817	4,437,187	2,975,170	(1,462,017)
Transfer - Out	(7,703,904)	(7,778,307)	(7,667,445)	110,862
General Long-Term Debt Issuance	-	-	-	-
Capital Leases	-	-	222,039	222,039
Disposition of Capital Assets	-	-	72,391	72,391
Other	-	-	1,926	1,926
<b>Total Other Financing Sources and (Uses)</b>	<b>(3,588,087)</b>	<b>(3,341,120)</b>	<b>(4,395,919)</b>	<b>(1,054,799)</b>
<b>Net Change in Fund Balance</b>	<b>(2,478,066)</b>	<b>(6,164,829)</b>	<b>286,646</b>	<b>6,451,475</b>
Fund balances, January 1	9,137,354	2,890,743	40,638,473	37,747,730
Prior Period Adjustments	-	-	-	-
Restated Fund Balance	9,137,354	2,890,743	40,638,473	37,747,730
Fund balances, December 31	<b>6,659,288</b>	<b>(3,274,086)</b>	<b>40,925,119</b>	<b>44,199,205</b>

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

<b>Net Change in Fund Balance (Budgetary Basis)</b>	<b>286,646</b>
Budgetary resources from Taxes, not a current year revenue for financial reporting purposes	-
Budgetary resources from Intergovernmental sources, not a current year revenue for financial reporting purposes	(3,226,852)
Budgetary resources from charges for services, not a current year revenue for financial reporting purposes	(808,794)
Budgetary resources from Interest, not a current year revenue for financial reporting purposes	-
Budgetary resources from Gifts and Donations, not a current year revenue for financial reporting purposes	(6,205)
Budgetary resources from other miscellaneous sources, not a current year revenue for financial reporting purposes	-
Budgetary resources from Transfers In, not a current year revenue for financial reporting purposes	(219,094)
Budgetary uses for General Government expenditures, not a current year expenditure for financial reporting purposes	491,730
Budgetary uses for Judicial expenditures, not a current year expenditure for financial reporting purposes	315,017
Budgetary uses for Public Safety, not a current year expenditure for financial reporting purposes	4,788,736
Budgetary uses for Health and Human Services, not a current year expenditure for financial reporting purposes	219,094
Budgetary uses for Culture and Recreation, not a current year expenditure for financial reporting purposes	91,740
Budgetary uses for Capital Outlay, not a current year expenditure for financial reporting purposes	82,470
Budgetary uses for Transfers Out, not a current year expenditure for financial reporting purposes	-
<b>Net Change in Fund Balance (GAAP Basis)</b>	<b>2,014,487</b>

**Note to Schedule: Budgetary Basis**

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

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

**Spokane County, Washington**  
**Budgetary Comparison Schedule**  
**110 - County Roads**  
**For the Year Ended December 31, 2015**

	Original 2015 Budget	Final 2015 Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	20,068,549	20,068,549	20,220,860	152,311
Licenses and Permits	160,000	160,000	189,877	29,877
Intergovernmental	23,803,181	23,803,181	15,605,044	(8,198,137)
Charges for Services	806,000	806,000	2,126,550	1,320,550
Fines and Forfeits	-	-	-	-
Interest	45,000	45,000	43,159	(1,841)
Contributions and Donations	-	-	9,117	9,117
Other Miscellaneous Revenues	35,000	35,000	240,449	205,449
	-	-	-	-
<b>Total Revenues</b>	<b>44,917,730</b>	<b>44,917,730</b>	<b>38,435,055</b>	<b>(6,482,675)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	368,950	368,950	207,925	161,025
Judicial	-	-	-	-
Public Safety	73,267	73,267	42,280	30,987
Physical Environment	-	-	-	-
Transportation	25,663,665	25,667,525	27,935,803	(2,268,278)
Economic Environment	124,347	124,347	70,645	53,702
Health and Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal Outlay	618,322	612,322	621,569	(9,247)
Interest Expenditure	-	154,175	154,175	-
Capital Outlay	18,196,300	18,048,125	6,855,071	11,193,054
<b>Total Expenditures</b>	<b>45,044,851</b>	<b>45,048,711</b>	<b>35,887,467</b>	<b>9,161,244</b>
Excess (Deficiency) of Revenues Over Expenditures	(127,121)	(130,981)	2,547,588	2,678,569
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfer - In	200,000	200,000	216,969	16,969
Transfer - Out	-	-	-	-
General Long-Term Debt Issuance	200,000	200,000	-	(200,000)
Capital Leases	-	-	20,105	20,105
Disposition of Capital Assets	-	-	39,692	39,692
Other	-	-	65,047	65,047
<b>Total Other Financing Sources and (Uses)</b>	<b>400,000</b>	<b>400,000</b>	<b>341,813</b>	<b>(58,187)</b>
<b>Net Change in Fund Balance</b>	<b>272,879</b>	<b>269,019</b>	<b>2,889,400</b>	<b>2,620,381</b>
Fund balances, January 1	6,054,502	6,060,240	8,550,935	2,490,695
Prior Period Adjustments	-	-	(1,500,000)	(1,500,000)
Restated Fund Balance	6,054,502	6,060,240	7,050,935	990,695
Fund balances, December 31	<b>6,327,381</b>	<b>6,329,259</b>	<b>9,940,336</b>	<b>3,611,077</b>

**Spokane County, Washington**  
**Budgetary Comparison Schedule**  
**148 - Community Services, Mental Health**  
**For the Year Ended December 31, 2015**

	Original 2015 Budget	Final 2015 Budget	2015 Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	16,800,477	16,800,477	13,042,416	(3,758,061)
Licenses and Permits	-	-	-	-
Intergovernmental	1,854,693	1,860,693	1,484,290	(376,403)
Charges for Services	182,564,343	182,564,343	127,684,303	(54,880,040)
Fines and Forfeits	-	-	-	-
Interest	401,000	401,000	392,571	(8,429)
Contributions and Donations	5,000	5,000	4,138	(862)
Other Miscellaneous Revenues	-	-	7,372	7,372
<b>Total Revenues</b>	<b>201,625,513</b>	<b>201,631,513</b>	<b>142,615,089</b>	<b>(59,016,424)</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Health and Human Services	233,236,500	233,242,500	136,107,638	97,134,862
Culture and Recreation	-	-	-	-
<b>Debt Service:</b>				
Principal Outlay	-	-	-	-
Interest Expenditure	-	-	-	-
Capital Outlay	2,000	2,000	90,948	(88,948)
<b>Total Expenditures</b>	<b>233,238,500</b>	<b>233,244,500</b>	<b>136,198,587</b>	<b>97,045,913</b>
Excess (Deficiency) of Revenues Over Expenditures	(31,612,987)	(31,612,987)	6,416,503	38,029,490
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer - In	-	-	-	-
Transfer - Out	(4,554,188)	(4,554,188)	(2,733,470)	1,820,718
General Long-Term Debt Issuance	-	-	-	-
Capital Leases	-	-	-	-
Disposition of Capital Assets	-	-	800	800
Other	-	-	-	-
<b>Total Other Financing Sources and (Uses)</b>	<b>(4,554,188)</b>	<b>(4,554,188)</b>	<b>(2,732,670)</b>	<b>1,821,518</b>
<b>Net Change in Fund Balance</b>	<b>(36,167,175)</b>	<b>(36,167,175)</b>	<b>3,683,833</b>	<b>39,851,008</b>
Fund balances, January 1	-	24,487,349	31,429,055	6,941,706
Prior Period Adjustments	-	-	-	-
Restated Fund Balance	-	24,487,349	31,429,055	6,941,706
Fund balances, December 31	<b>(36,167,175)</b>	<b>(11,679,826)</b>	<b>35,112,888</b>	<b>46,792,714</b>

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

<b>Net Change in Fund Balance (Budgetary Basis)</b>	<b>3,683,833</b>
Budgetary resources from Taxes, not a current year revenue for financial reporting purposes	(3,599,080)
Budgetary resources from Intergovernmental sources, not a current year revenue for financial reporting purposes	(502,865)
Budgetary resources from charges for services, not a current year revenue for financial reporting purposes	(26,082,909)
Budgetary resources from Interest, not a current year revenue for financial reporting purposes	(94,441)
Budgetary resources from Gifts and Donations, not a current year revenue for financial reporting purposes	(2,921)
Budgetary resources from other miscellaneous sources, not a current year revenue for financial reporting purposes	(173)
Budgetary resources from Transfers In, not a current year revenue for financial reporting purposes	-
Budgetary uses for General Government expenditures, not a current year expenditure for financial reporting purposes	-
Budgetary uses for Judicial expenditures, not a current year expenditure for financial reporting purposes	-
Budgetary uses for Public Safety, not a current year expenditure for financial reporting purposes	-
Budgetary uses for Health and Human Services, not a current year expenditure for financial reporting purposes	23,277,439
Budgetary uses for Culture and Recreation, not a current year expenditure for financial reporting purposes	-
Budgetary uses for Capital Outlay, not a current year expenditure for financial reporting purposes	275
Budgetary uses for Transfers Out, not a current year expenditure for financial reporting purposes	588,515
<b>Net Change in Fund Balance (GAAP Basis)</b>	<b>(2,732,326)</b>

**Note to Schedule: Budgetary Basis**

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

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

**Spokane County, Washington**  
**Schedule of Funding Progress**  
**For the Year Ended December 31, 2015**

Valuation Date (A)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2010	-	\$ 35,115,000	\$ 35,115,000	0.00%	N/A	N/A
January 1, 2011	-	\$ 35,612,000	\$ 35,612,000	0.00%	N/A	N/A
January 1, 2014	-	\$ 39,216,000	\$ 39,216,000	0.00%	N/A	N/A

The County is required to have an actuarial analysis of the OPEB liability prepared every three years.  
The AAL calculated January 1, 2010 was used for 2010 only.  
The AAL calculated January 1, 2011 is for 2011, 2012 and 2013  
The AAL calculated January 1, 2014 is for 2014, 2015, and 2016

Spokane County, Washington  
 Schedule of Employer Contributions  
 For the Year Ended December 31, 2015  
 Page 1 of 2

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	2,274,172	56.00%	2,637,474
December 31, 2011	2,269,161	64.00%	3,455,635
December 31, 2012	2,247,866	66.00%	4,210,501
December 31, 2013	2,225,223	65.00%	4,981,724
December 31, 2014	2,446,260	55.00%	6,083,984
December 31, 2015	2,406,689	62.00%	7,007,673



**Spokane County, Washington**  
**Schedule of Employer Contributions**  
**For the Year Ended December 31, 2015**  
**Page 2 of 2**

Fiscal Year Ended	Interest on Net OPEB Obligation		ARC at EOY	ARC Adjustment	Annual OPEB Cost	Total Employer Contributions	Change in Net OPEB Obligation		Net OPEB Obligation Balance	(Gain)/Loss	Amortization Factor *	Amortization of (Gain)/Loss	Ending Balance
	OPEB Obligation	ARC Adjustment					Net OPEB Obligation	Net OPEB Obligation					
12/31/2010	65,772	96,822	2,305,222	2,274,172	1,281,000	993,172	2,637,474	1,024,222	16.9828	96,822	2,637,474		
12/31/2011	105,499	158,673	2,322,335	2,269,161	1,451,000	818,161	3,455,635	871,335	16.6221	158,673	3,455,635		
12/31/2012	138,225	212,694	2,322,335	2,247,866	1,493,000	754,866	4,210,501	829,335	16.2470	212,694	4,210,501		
12/31/2013	168,420	265,532	2,322,335	2,225,223	1,454,000	771,223	4,981,724	868,335	15.8568	265,532	4,981,724		
12/31/2014	186,815	315,245	2,574,690	2,446,260	1,344,000	1,102,260	6,083,984	1,230,690	15.8027	315,245	6,083,984		
12/31/2015	228,149	396,150	2,574,690	2,406,689	1,483,000	923,689	7,007,673	1,091,690	15.3578	396,150	7,007,673		

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

**Spokane County, Washington**  
**Notes to Required Supplementary Information**  
**Other Post Employment Benefit (OPEB) Plans**  
**For the year ended December 31, 2015**

**A. Actuarial Assumptions for Required Supplementary Information**

The following assumptions were used in the actuarial report to determine the ARC for 2014. The actuarial report was prepared by Milliman Consultants and Actuaries.

<b>Valuation Date</b>	January 1, 2014
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	30-year, closed as of January 1, 2007
<b>Remaining Amortization Period</b>	23 years

**Actuarial Assumptions:**

**Investment Rate of Return** 3.75%

<b>Medical Trend With Expected Cadillac Tax to impact Spokane County in 2018</b>	<b>Year</b>	<b>Pre-65</b>	<b>Post-65</b>
	2014-2015	6.0%	6.2%
	2015-2016	5.7%	5.7%
	2016-2017	5.4%	5.5%
	2017-2018	26.3%	14.5%
	2018-2019	5.8%	6.1%
	2019-2020	5.9%	6.3%
	2020-2021	5.9%	6.2%
	2021-2022	5.9%	6.3%
	2022-2023	5.8%	6.4%
	2023-2024	5.8%	6.1%
	2024-2025	5.9%	6.2%
	2025-2026	5.7%	6.0%
	2026-2027	5.8%	6.1%
	2027-2028	5.8%	6.0%
	2028-2029	5.7%	5.9%
	2029-2030	5.7%	5.9%
	2030-2031	5.7%	5.9%
	2031-2032	5.7%	5.9%

expected to trend down to 4.4% until 2082

**Long-term Care Inflation Rate** 4.75%

**B. Schedule of Funding Progress**

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

**Spokane County, Washington  
Schedule of County Pension Contributions  
For the Year Ended December 31, 2015**

Measurement Date: December 31, 2015

**PERS 1**

Actuarially/statutorily/contractually determined contribution	\$ 4,470,042
Actual contribution in relation to the above	\$ 4,470,042
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 2,066,988
Contributions as a % of covered-employee payroll	216.26%

**PERS 2/3**

Actuarially/statutorily/contractually determined contribution	\$ 4,849,940
Actual contribution in relation to the above	\$ 4,849,940
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 87,119,172
Contributions as a % of covered-employee payroll	5.57%

**PSERS 2**

Actuarially/statutorily/contractually determined contribution	\$ 641,190
Actual contribution in relation to the above	\$ 641,190
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 9,642,720
Contributions as a % of covered-employee payroll	6.65%

**LEOFF 1**

Actuarially/statutorily/contractually determined contribution	\$ -
Actual contribution in relation to the above	\$ -
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ -
Contributions as a % of covered-employee payroll	0.00%

**LEOFF 2**

Actuarially/statutorily/contractually determined contribution	\$ 1,010,156
Actual contribution in relation to the above	\$ 1,010,156
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 20,003,148
Contributions as a % of covered-employee payroll	5.05%

**Spokane County, Washington**  
**Schedule of the County's Proportionate Share of the Net Pension Liability**  
**For the Year Ended December 31, 2015**

Measurement Date: June 30, 2015

**PERS 1**

County's Proportion of the Net Pension Liability		.873418%
County's Proportionate Share of the Net Pension Liability	\$	(45,687,883)
County's Covered-Employee Payroll	\$	2,352,078
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		1942.45%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability		59.10%

**PERS 2/3**

County's Proportion of the Net Pension Liability		.96737%
County's Proportionate Share of the Net Pension Liability	\$	(34,564,693)
County's Covered-Employee Payroll	\$	85,851,429
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		40.26%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability		89.20%

**PSERS 2**

County's Proportion of the Net Pension Liability		3.075809%
County's Proportionate Share of the Net Pension Liability	\$	(561,397)
County's Covered-Employee Payroll	\$	9,005,995
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		6.23%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability		95.08%

**LEOFF 1**

County's Proportion of the Net Pension Asset		.185702%
County's Proportionate Share of the Net Pension Asset	\$	2,238,120
County's Covered-Employee Payroll	\$	-
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll		0.00%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Asset		127.36%

**LEOFF 2**

County's Proportion of the Net Pension Asset		.673968%
County's Proportionate Share of the Net Pension Asset	\$	6,927,039
State's Proportionate Share of the Net Pension Asset Associated with the County	\$	4,580,163
TOTAL	\$	11,507,203
County's Covered-Employee Payroll	\$	19,561,207
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll		58.83%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Asset		111.67%

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
<b>Child Nutrition Cluster</b>								
U.S. Department of Agriculture, Food and Nutrition Service (via WA State Office of Superintendent of Public Instruction)	School Breakfast Program	10.553	32-081-6814	6,387	-	-	-	
U.S. Department of Agriculture, Food and Nutrition Service (via WA State Office of Superintendent of Public Instruction)	National School Lunch Program	10.555	32-081-6814	10,148	-	-	-	
	<b>Subtotal CFDA 10.553/10.555 - Child Nutrition Cluster:</b>			<b>16,534</b>	<b>-</b>	<b>16,534</b>	<b>-</b>	
<b>Food Distribution Cluster</b>								
U.S. Department of Agriculture, Food and Nutrition Service (via WA State Office of Superintendent of Public Instruction)	Commodity Supplemental Food Program	10.565	32-081-6814	67	-	-	-	
	<b>Subtotal CFDA 10.565 - Food Distribution Cluster:</b>			<b>67</b>	<b>-</b>	<b>67</b>	<b>-</b>	
<b>U.S. Department of Agriculture - Total</b>								
				<b>16,601</b>	<b>-</b>	<b>16,601</b>	<b>-</b>	
<b>U.S. Department of Housing and Urban Development</b>								
U.S. Department of Housing and Urban Development, Office of Community Planning and Development	Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-53-0004	-	154,059	154,059	154,059	5
U.S. Department of Housing and Urban Development, Office of Community Planning and Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-53-0004	-	404,608	404,608	404,608	5
U.S. Department of Housing and Urban Development, Office of Community Planning and Development	Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-53-0004	-	530,037	381,074	381,074	3.5
U.S. Department of Housing and Urban Development, Office of Community Planning and Development	Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-53-0004	-	420,844	264,526	264,526	3.5
	<b>Subtotal CFDA 14.218 U.S. Department of Housing and Urban Development:</b>			<b>-</b>	<b>1,509,547</b>	<b>1,509,547</b>	<b>1,204,268</b>	
<b>U.S. Department of Housing and Urban Development - Total</b>								
				<b>-</b>	<b>2,407,135</b>	<b>2,407,135</b>	<b>1,204,268</b>	

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (via WA State Department of Social and Health Services)	Juvenile Justice and Delinquency Prevention _Allocation to States	16.540	I-501-00714	4,163	-	-	-	-
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (via WA State Department of Social and Health Services)	Juvenile Justice and Delinquency Prevention _Allocation to States	16.540	I-501-00714	392	-	-	-	4
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (via WA State Department of Social and Health Services)	Juvenile Justice and Delinquency Prevention _Allocation to States	16.540	I-300-00215	15,948	-	-	-	-
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (via WA State Department of Social and Health Services)	Juvenile Justice and Delinquency Prevention _Allocation to States	16.540	I-501-00915	2,344	-	-	-	-
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (via WA State Department of Social and Health Services)	Juvenile Justice and Delinquency Prevention _Allocation to States	16.540	I-501-00915	236	-	-	-	4
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (via WA State Department of Social and Health Services)	Juvenile Justice and Delinquency Prevention _Allocation to States	16.540	I-600-00515	442	-	-	-	-
<b>Subtotal CFDA 16.540 U.S. Department of Justice:</b>				<b>23,525</b>	<b>-</b>	<b>23,525</b>	<b>-</b>	<b>-</b>
U.S. Department of Justice, Bureau of Justice Statistics (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	2014-RU-BX-K034	32,924	-	-	-	-
U.S. Department of Justice, Bureau of Justice Statistics (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	2014-RU-BX-K034	7,438	-	-	-	4
U.S. Department of Justice, Bureau of Justice Statistics (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K10482	41,626	-	-	-	-
U.S. Department of Justice, Bureau of Justice Statistics (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K10482	10,392	-	-	-	4
U.S. Department of Justice, Bureau of Justice Statistics (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K10481	138,104	-	-	-	-
U.S. Department of Justice, Bureau of Justice Statistics (via WA State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	K10481	17,153	-	-	-	4
<b>Subtotal CFDA 16.554 U.S. Department of Justice:</b>				<b>247,636</b>	<b>-</b>	<b>247,636</b>	<b>-</b>	<b>-</b>
U.S. Department of Justice, Bureau of Justice Statistics	Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0034	-	22,914	-	-	-
U.S. Department of Justice, Bureau of Justice Statistics	Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0034	-	57,487	-	-	-
U.S. Department of Justice, Bureau of Justice Statistics	Drug Court Discretionary Grant Program	16.585	2011-DC-BX-0034	-	9,039	-	-	4
<b>Subtotal CFDA 16.585 U.S. Department of Justice:</b>				<b>-</b>	<b>89,440</b>	<b>89,440</b>	<b>-</b>	<b>-</b>
U.S. Department of Justice, Violence Against Women Office (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-063	20,975	-	-	6,000	5
U.S. Department of Justice, Violence Against Women Office (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-063	3,559	-	-	-	4
U.S. Department of Justice, Violence Against Women Office (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-062	1,573	-	-	-	4
U.S. Department of Justice, Violence Against Women Office (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F14-31103-062	22,961	-	-	-	-
<b>Subtotal CFDA 16.588 U.S. Department of Justice:</b>				<b>49,068</b>	<b>-</b>	<b>49,068</b>	<b>6,000</b>	<b>-</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
U.S. Department of Justice, Violence Against Women Office	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2011-WE-AX-0022	-	112,861	-	102,769	5
U.S. Department of Justice, Violence Against Women Office	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2011-WE-AX-0022	-	1,254	-	-	4
	<b>Subtotal CFDA 16.590 U.S. Department of Justice:</b>			-	<b>114,114</b>	<b>114,114</b>	<b>102,769</b>	
U.S. Department of Justice, Bureau of Justice Assistance	State Criminal Alien Assistance Program	16.606	2015-AP-BX-0636	-	7,005	-	-	
	<b>Subtotal CFDA 16.606 U.S. Department of Justice:</b>			-	<b>7,005</b>	<b>7,005</b>	-	
U.S. Department of Justice, Office of Community Oriented Policing Services	Public Safety Partnership and Community Policing Grants	16.710	2011-CK-WX-0029	-	1,945	-	-	
	<b>Subtotal CFDA 16.710 U.S. Department of Justice:</b>			-	<b>1,945</b>	<b>1,945</b>	-	
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345	-	147	-	-	
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345	-	29,004	-	29,004	5
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0345	-	3,392	-	-	4
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0243	-	32,422	-	-	
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0243	-	30,832	-	-	
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0243	-	6,925	-	6,925	5
U.S. Department of Justice, Bureau of Justice Assistance	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0243	-	7,813	-	-	4
U.S. Department of Justice, Bureau of Justice Assistance (via WA State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-016	13,978	-	-	-	
U.S. Department of Justice, Bureau of Justice Assistance (via WA State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-016	2,840	-	-	-	4
U.S. Department of Justice, Bureau of Justice Assistance (via WA State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F15-31440-016	49,541	-	-	-	
U.S. Department of Justice, Bureau of Justice Assistance (via WA State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F15-31440-016	8,511	-	-	-	4
	<b>Subtotal CFDA 16.738 U.S. Department of Justice:</b>			<b>74,870</b>	<b>110,536</b>	<b>185,405</b>	<b>35,929</b>	
U.S. Department of Justice, National Institute of Justice (via WA State Patrol)	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	K10417	8,549	-	-	-	
U.S. Department of Justice, National Institute of Justice (via WA State Patrol)	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	K10417	855	-	-	-	4
	<b>Subtotal CFDA 16.742 U.S. Department of Justice:</b>			<b>9,404</b>	<b>-</b>	<b>9,404</b>	<b>-</b>	

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
U.S. Department of Justice, Criminal Division	Equitable Sharing Program	16.922	W/AEQ00045	-	88,295	-	-	
U.S. Department of Justice, Criminal Division	Equitable Sharing Program	16.922	WA0320000	-	28,691	-	-	
	<b>Subtotal CFDA 16.922 U.S. Department of Justice:</b>			-	<b>126,986</b>	<b>126,986</b>	-	
<b>U.S. Department of Justice - Total</b>				<b>404,502</b>	<b>450,026</b>	<b>854,528</b>	<b>144,698</b>	
<b>Highway Planning and Construction Cluster</b>								
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA4124	4,412	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA4124	935	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA6524	683	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA6524	147	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-7235	17,264	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA-7235	3,660	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA5987	228,147	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA5987	48,367	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA7343	10,477	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA7343	2,221	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8013	83,362	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8013	19,793	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8039	11,906	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8039	2,524	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8038	810,882	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8038	171,907	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA7958	943,259	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA7958	199,971	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8218	51,524	-	-	-	
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8218	10,907	-	-	-	4

See accompanying notes to the Schedule of Expenditures of Federal Awards



Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8329	1,283,485	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8329	272,099	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8382	77,842	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8382	16,503	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8402	178,928	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8402	37,774	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8635	63,772	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8635	13,520	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8641	5,969	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8641	1,285	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8604	92,412	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8604	19,591	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8646	19,364	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8646	4,105	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8647	341	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8647	72	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8605	44,245	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8605	9,380	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8649	239	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8649	51	-	-	-	4
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8650	11,810	-	-	-	-
U.S. Department of Transportation, Federal Highway Admin. (FHWA) (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8650	2,504	-	-	-	4
<b>Subtotal CFDA 20.205 U.S.DOT - Highway Planning and Construction Cluster:</b>				<b>4,787,631</b>	<b>-</b>	<b>4,787,631</b>	<b>-</b>	<b>-</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
<b>Highway Safety Cluster</b>								
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	15ST-18	21,067	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	15ST-18	4,205	-	-	-	4
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	16ST-18	21,755	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	16ST-18	4,342	-	-	-	4
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	AL15-03	14,664	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	AL15-03	489	-	-	-	4
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	MBX15-06	85,007	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	MBX15-06	19,203	-	-	-	4
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	5,467	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	2,951	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	341	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	8,743	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	724	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	331	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	MBX16-06	26,982	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	MBX16-06	3,864	-	-	-	4
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	714	-	-	-	-
U.S. Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	400	-	-	-	-
				221,266	-	221,266	-	-
<b>Subtotal CFDA 20.600/20.616 U.S. DOT - Highway Safety Cluster:</b>				<b>5,008,897</b>	-	<b>5,008,897</b>	-	-

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
U.S. Department of Education, Office of Elementary and Secondary Ed. (via NorthEast Washington Educational Service District 101)	Safe and Drug-Free Schools and Communities _National Programs	84.184	2040987500095	5,872	-	-	-	-
	Subtotal CFDA 84.184 U.S. Department of Education:			5,872	-	5,872	-	-
<b>U.S. Department of Education - Total</b>								
				5,872	-	5,872	-	-
U.S. Elections Assistance Commission (via WA State Secretary of State)	Help America Vote Act Requirements Payments	90.401	G-2845	6,027	-	-	-	-
	Subtotal CFDA 90.401 U.S. Elections Assistant Commission:			6,027	-	6,027	-	-
<b>U.S. Elections Assistance Commission - Total</b>								
				6,027	-	6,027	-	-
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1369-83133	12,040	-	-	12,040	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1469-22301	68,832	-	-	68,832	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1569-50521	38,582	-	-	38,582	5
<b>Subtotal CFDA 93.150 U.S. Department of Health &amp; Human Services:</b>								
				119,455	-	119,455	-	119,455
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	1H79TI024155-01	-	115,925	-	115,925	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	1H79TI024155-01	-	2,635	-	-	4
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	1363-94298	224,196	-	-	211,864	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	1469-22902	223,755	-	-	215,499	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	1463-28129	8,188	-	-	6,200	5
<b>Subtotal CFDA 93.243 U.S. Department of Health &amp; Human Services:</b>								
				456,140	118,559	574,699	822,557	

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
U.S. Department of Health and Human Services, Administration for Children and Families (via WA State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80582	209,657	-	-	-	-
U.S. Department of Health and Human Services, Administration for Children and Families (via WA State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80582	11,387	-	-	-	-
U.S. Department of Health and Human Services, Administration for Children and Families (via WA State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80582	18,635	-	-	-	-
U.S. Department of Health and Human Services, Administration for Children and Families (via WA State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80582	1,434,743	-	-	-	-
U.S. Department of Health and Human Services, Administration for Children and Families (via WA State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80582	94,759	-	-	-	-
U.S. Department of Health and Human Services, Administration for Children and Families (via WA State Department of Social and Health Services)	Child Support Enforcement	93.563	2110-80582	190,053	-	-	-	4
<b>Subtotal CFDA 93.563 Department of Health &amp; Human Services:</b>				<b>1,959,234</b>	<b>-</b>	<b>1,959,234</b>		
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Block Grants for Community Mental Health Services	93.958	1369-76935	306,641	-	-	306,641	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Block Grants for Community Mental Health Services	93.958	1569-43773	312,790	-	-	312,790	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Block Grants for Community Mental Health Services	93.958	1563-39511	773	-	-	-	-
<b>Subtotal CFDA 93.958 U.S. Department of Health &amp; Human Services:</b>				<b>620,204</b>	<b>-</b>	<b>620,204</b>	<b>619,431</b>	
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27327	384,299	-	-	306,293	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42495	81,003	-	-	32,739	5
U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (via WA State Department of Social and Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43890	306,125	-	-	306,125	5
<b>Subtotal CFDA 93.959 U.S. Department of Health &amp; Human Services:</b>				<b>771,427</b>	<b>-</b>	<b>771,427</b>	<b>645,157</b>	
<b>U.S. Department of Health and Human Services - Total</b>				<b>3,926,460</b>	<b>118,559</b>	<b>4,045,019</b>	<b>1,906,599</b>	

See accompanying notes to the Schedule of Expenditures of Federal Awards

Spokane County, Washington  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program Name	CFDA Number	Grant Award Number	From Pass-Through	From Direct	Total	Pass Through to Subrecipients	Notes
Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	G14NW0010A	-	40,654	-	-	-
Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	G14NW0010A	-	2,139	-	-	4
Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	G15NW0010A	-	2,515	-	-	-
Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	G15NW0010A	-	106	-	-	4
<b>Subtotal CFDA 95.001 Executive Office of the President:</b>				-	45,413	45,413	-	-
<b>Executive Office of the President - Total</b>				-	45,413	45,413	-	-
U.S. Department of Homeland Security (via WA State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3314FAS140153	22,117	-	-	-	-
<b>Subtotal CFDA 97.012 U.S. Department of Homeland Security:</b>				22,117	-	22,117	-	-
U.S. Department of Homeland Security (via WA State Military Department)	Emergency Management Performance Grants	97.042	E15-140	107,071	-	-	17,420	5
U.S. Department of Homeland Security (via WA State Military Department)	Emergency Management Performance Grants	97.042	E15-140	5,902	-	-	-	4
U.S. Department of Homeland Security (via WA State Military Department)	Emergency Management Performance Grants	97.042	E16-104	25,516	-	-	-	-
U.S. Department of Homeland Security (via WA State Military Department)	Emergency Management Performance Grants	97.042	E16-104	4,560	-	-	-	4
<b>Subtotal CFDA 97.042 U.S. Department of Homeland Security:</b>				143,048	-	143,048	17,420	-
U.S. Department of Homeland Security (via WA State Military Department)	Pre-Disaster Mitigation	97.047	E12-176	50,452	-	-	-	-
<b>Subtotal CFDA 97.047 Department of Homeland Security:</b>				50,452	-	50,452	-	-
U.S. Department of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E13-139	6,005	-	-	-	-
U.S. Department of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E13-139	676	-	-	-	4
U.S. Department of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E15-115	284,776	-	-	156,802	5
U.S. Department of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E15-115	3,636	-	-	-	4
U.S. Department of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E14-152	295,799	-	-	72,728	5
U.S. Department of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E14-152	13,625	-	-	-	4
<b>Subtotal CFDA 97.067 U.S. Dept. of Homeland Security:</b>				604,516	-	604,516	229,530	-
<b>U.S. Department of Homeland Security - Total</b>				820,133	-	820,133	246,950	-
<b>Total Federal Awards Expended:</b>				10,188,492	3,021,134	13,209,625	3,502,515	-

See accompanying notes to the Schedule of Expenditures of Federal Awards

**Spokane County, Washington**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

**Note 1 – Basis of Accounting**

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

**Note 2 – Program Costs**

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

**Note 3 – Loan Programs (HUD Grants) Fund 131**

Spokane County Community Services, Housing and Community Development receives HUD Home Investment Partnership federal grants. These grant funds are used to fund a loan program for low income housing renovation. In addition to HUD Home Investment Partnership grants, Spokane County receives HUD CDBG federal funds which are then used by the County as both grants and loans to low income homeowners. Under these federal programs, repayments to the County 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 \$822,000 and is presented in this schedule. The amount of principal and interest received in loan repayments for this year was \$236,957.

**Note 4 – Indirect Cost Rate**

The amount expended includes \$1,167,184 claimed as an indirect cost recovery using an approved indirect cost rate per the following table.

Fund	Dept ID	Rate
010	040 - DEM	17.85%
010	090 - Clerk	22.24%
010	190 - District Court	32.21%
010	200 - Juvenile	18.33%
010	250 - Prosecutor Criminal	31.22%
010	250 - Prosecutor Supp Enf	7.80%
010	290 - Sheriff	17.18%
010	310 - Superior Court	26.21%
110	400 - Roads	21.20%
133	605 - Victim Witness	6.85%
150	202 - Probation	7.19%

**Note 5 – Amounts Awarded to Sub-recipients**

Included in the total amount expended for these programs is \$3,502,515 that was passed through to a sub-recipient.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>