



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Spokane

Spokane County

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

Published September 29, 2016

Report No. 1017591





Washington State Auditor's Office

September 29, 2016

Mayor and City Council
City of Spokane
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Spokane
Spokane County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported 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>
14.218	Community Development Block Grants/Entitlement Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,091,431.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2015-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Spokane Spokane County January 1, 2015 through December 31, 2015

2015-001 The City did not have adequate internal controls in place to ensure accurate reporting of its financial statements.

Background

It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure all Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) statements are followed.

The City made improvements from the prior year to ensure that financial events are properly identified and accounting methodology is applied correctly. However, our audit identified other internal control weaknesses that adversely affected the City's ability to produce reliable financial statements.

Description of Condition

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

- The City did not dedicate the necessary time and resources to accurately adjust fund financial statements to government-wide presentation as required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- The City did not dedicate the necessary time and resources to properly report net position balances as required by GASB Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources and Net Position*.

Although the City has procedures to perform a review of the financial statements for accuracy, the review was not adequate to detect and correct errors prior to audit.

Cause of Condition

The City has experienced employee turnover in key financial statement preparation positions and lacked the resources necessary to accurately prepare the financial statements. Although the City implemented new software that helps prepare its fund financial statements, the City continues to use complex spreadsheets to assist in the preparation of its government-wide financial statements. These spreadsheets contained table and other errors. The City's established controls for financial statement review were not effective at identifying errors.

Effect of Condition

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

Adjustment of fund financial statements to government-wide Statement of Activities presentation:

- The overall impact of the Statement of Activities errors resulted in a \$1.1 million understatement of Governmental Activity Net Position. Key components include:
 - Inaccurate allocations and calculation errors in Charges for Services revenues by function in the government-wide Statement of Activities of up to \$11.3 million.
 - Inaccurate reporting of interfund activity in the reconciliation of fund statements to government-wide overstating the reporting of General Government expenses by at least \$16.7 million.
 - Inaccurate reporting of changes in long-term debt and other debt amounts in the government-wide Statement of Activities understating the reporting of multiple classifications of governmental activities expenditures by at least \$14 million.

Reporting of net position balances

- Components of Net Position in the Governmental Activities and Internal Service Funds were calculated incorrectly related to unspent bond proceeds and interfund loans, understating Net Investment in Capital Assets by more than \$85 million and \$23 million respectively. This is a classification error with the corresponding offset being undesignated/unrestricted net position.
- Components of Net Position in the Water/Sewer Fund were calculated incorrectly related to unspent bond proceeds, understating Net Investment

in Capital Assets by more than \$197 million in the fund and Government-wide Statements of Net Position. This is a classification error with the corresponding offset being undesignated/unrestricted net position.

Other less significant errors were also identified in the financial statements provided for audit. All material misstatements were corrected.

Recommendation

We recommend City management continue to strengthen internal controls over financial statement reporting by ensuring:

- Accounting staff who prepare financial statements receive necessary training to ensure financial reporting is accurate and complete in accordance with GAAP and GASB pronouncements.
- An effective independent review of the financial statements is performed.

City's Response

Although the City experienced a significant vacancy in one of its key positions related to the preparation of the financial statements during fiscal years 2014 and 2015, the City is committed to providing excellent financial reporting. The vacancy of its Chief Accountant position was filled in June 2016.

For the preparation of its 2015 financial statements, the City purchased and partially implemented additional software, which has significantly reduced the risk of calculation errors. The City will complete the implementation of the new software during 2016, which will further enhance internal controls and reduce the risk of errors.

The City continues to improve its internal control and review processes to improve the reliability of its financial reporting. With the Chief Accountant vacancy filled, the City is diligently working to improve its year end processes to allow for more timely preparation of its financial statements, which will result in significantly improved levels of review.

Auditor's Remarks

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

Applicable Laws and Regulations

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

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

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 115, as follows:

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

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

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

Budgeting, Accounting and Reporting System (BARS) Manual, Accounting, Accounting Principles and General Procedures, Internal Control, states:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the

governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Government Auditing Standards Board, Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources and Net Position*, paragraph 9 states:

Net Investment in Capital Assets Component of Net Position

9. The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Governmental Accounting, Auditing and Financial Reporting (GAAFR), Page 64-65 states

Interfund activity between funds included in the same activity column will not appear anywhere in the government-wide financial statements, whereas interfund activity between funds reported in different activity columns will be visible in those columns, but not in the primary governmental-total column. Internal service funds pose a special challenge for consolidation. As discussed previously, internal service funds are intended to function on a cost-reimbursement basis. As a practical matter, a given internal service fund may show a difference between revenues and expenses in any given period. This difference poses no real problem in the fund financial statements, so long

as a material surplus or deficit is not allowed to build up over time. For purposes of consolidation, however, an internal service fund must “break even” each year to ensure a proper allocation of costs. That is, there can be no operating surplus or deficit as the result of purely internal activity.

GAAFR Page 270 states

These assets and liabilities must be restored when preparing the government-wide statement of net position. The same is true of certain accounts associated with deferral and amortization that do not appear in the governmental fund balance sheet:

- Unamortized premium/discount on long-term debt and
- The unamortized difference between the net carrying amount of refunded debt and its reacquisition price.”

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Spokane
Spokane County
January 1, 2015 through December 31, 2015

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

Audit Period: January 1, 2014 through December 31, 2014	Report Ref. No.: 1015900	Finding Ref. No.: 2014-001
Finding Caption: The City did not have adequate internal controls in place to ensure accurate reporting of its financial statements of the Schedule of Expenditures of Federal Awards.		
Background: Our audit identified deficiencies in internal controls over financial reporting that, when taken together, represented a material weakness: <ul style="list-style-type: none">• The City did not dedicate the necessary time and resources to accurately present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) requirements. We found \$25 million in net pension obligation that should have been reported on the statements in accordance with GASB 27. The City corrected this error; however, the obligation was not allocated to the applicable opinion units.• The City's procedures to review the financial statements for accuracy were not adequate to detect and correct errors prior to audit. Components of Net Position in the Water/Sewer Fund were calculated incorrectly, overstating Unrestricted Net Position and understating Net Investment in Capital Assets by more than \$19 million in the fund and Government-wide Statements of Net Position. In addition, assets and debt due from purchase and sale agreements with developers for capital improvements in tax increment areas were not recorded in the amount of \$594,000 and \$818,000 on the Government-wide Statement of Net Position.• The City did not have a clear understanding of the SEFA reporting requirements for its Capitalization Grants for Clean Water State Revolving Fund loans and did not follow guidance provided in the Budget Accounting and Reporting Standards (BARS) manual or OMB Circular A-133. More than \$10 million of 2014 expenditures in the Capitalization Grants for Clean Water State Revolving Funds program were not originally reported on the SEFA.		

Status of Corrective Action:		
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected
<input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken:		
<p><i>Although the City experienced a significant vacancy in one of its key positions related to the preparation of the financial statements during 2014 and 2015, the City is committed to providing excellent financial reporting. For the preparation of its 2015 financial statements, the City purchased and implemented additional software, which has significantly reduced the risk of calculation errors. Additionally, the City continues to improve its internal control and review processes to improve the reliability of its financial reporting.</i></p> <p><i>The City experienced turnover in its key position related to the preparation of the SEFA during 2014 and 2015. In October 2015, the City hired a Grants & Contracts Financial Assistance Manager who will oversee the preparation of the SEFA. The City has enhanced communication with and oversight by the City's Grants Management and Financial Assistance Department.</i></p> <p><i>The City is providing additional training for accounting staff that are directly related to grant accounting. Several Accounting and Grants Management and Financial Assistance (GMFA) staff recently attended a two-day Grants Management workshop. In addition, GMFA is scheduled to attend a series of grants management and compliance courses over the next several months to ensure compliance with 2 CFR Part 200. This will allow for internal formal and informal training of accounting staff working on grant funded projects. GMFA Staff will also assist accounting staff with the preparation and review of the Schedule of Expenditures of Federal Awards to ensure accuracy.</i></p>		
Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2013 through December 31, 2013	1012701	8
January 1, 2012 through December 31, 2012	1010571	8
Finding Caption:		
<p>The City did not have adequate internal controls in place to ensure accurate financial reporting of its Schedule of Expenditures of Federal Awards.</p>		
Background:		
<p>During 2012 and 2013 the City's established controls were not adequate to detect and correct errors prior to audit in the financial statements and required schedules. The City did not have a clear understanding of the SEFA reporting requirements for its Capitalization Grants for Clean Water State Revolving Fund loans and did not follow guidance provided in the Budget Accounting and Reporting Standards (BARS) manual or OMB Circular A-133. In 2013 the City did not request reimbursement for expenditures for 2013 until 2014 which delayed when reimbursement was received from the Department of Ecology (DOE). \$3,367,118 in expenditures in this grant were not reported on the 2013 schedule. In 2012 the City did not request reimbursement for expenditures from 2012 until September of 2013 which delayed</p>		

when reimbursement was received from DOE. \$3,108,402 in expenditures for this grant were not reported on the 2012 schedule.

Status of Corrective Action:

☒ Fully
Corrected

☐ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

The City has developed a more robust process to coordinate with the Department of Ecology to ensure that all Capitalization Grants for Clean Water State Revolving Fund loans are properly reported. Once identified, these loans will be accurately reflected in the SEFA. Reimbursement requests are now submitted timely.

The City is providing additional training for accounting staff that are directly related to grant accounting. Several Accounting and Grants Management and Financial Assistance (GMFA) staff recently attended a two-day Grants Management workshop. In addition, GMFA is scheduled to attend a series of grants management and compliance courses over the next several months to ensure compliance with 2 CFR Part 200. This will allow for internal formal and informal training of accounting staff working on grant funded projects. GMFA Staff will also assist accounting staff with the preparation and review of the Schedule of Expenditures of Federal Awards to ensure accuracy.

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

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

Mayor and City Council
City of Spokane
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, Spokane County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 20, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City 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 Statement No. 68*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

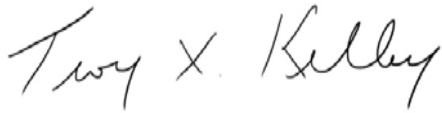
CITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 20, 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**

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

Mayor and City Council
City of Spokane
Spokane, Washington

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

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

Management's Responsibility

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

Auditor's Responsibility

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

An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

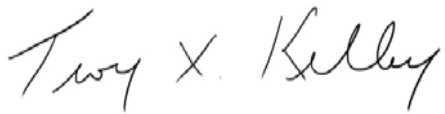
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Purpose of this Report

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

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 20, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Spokane Spokane County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Spokane
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, Spokane County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 25.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane, as of December 31, 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 1 to the financial statements, in 2015, the City 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 No. 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 27 through 42, budgetary comparison information on pages 126 through 127, pension trust fund information on pages 128 through 133 and information on postemployment benefits other than pensions on pages 134 through 135 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited

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

Supplementary and Other Information

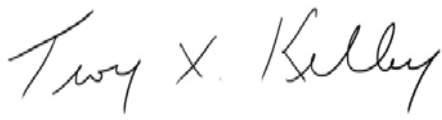
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal 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.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 20, 2016

FINANCIAL SECTION

**City of Spokane
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 to the Statement of Net Position – Governmental Funds
– 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
to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

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

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
General Fund Accounts – 2015

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
UTGO 2015 – 2015

Schedule of Net Pension Liability – Employee's Retirement System (SERS), Firefighters'
Pension System and Police Pension System – 2015

Schedule of City's Proportionate Share of the Net Pension Liability – LEOFF 1 and LEOFF
2 – 2015

Schedule of Employer Contributions – Employees’ Retirement System (SERS),
Firefighters’ Pension System and Police Pension System – 2015
Schedule of Employer Contributions – LEOFF 1 and LEOFF 2 – 2015
Other Postemployment Benefits – Schedule of Employer Contributions – Firefighters’
Pension System and Police Pension System – 2015
Other Postemployment Benefits – Schedule of Funding Progress - Firefighters’ Pension
System and Police Pension System – 2015
Notes to Required Supplementary Information – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015
Schedule for General Fund Accounts – Balance Sheet – 2015
Schedule for General Fund Accounts – Statement of Revenues, Expenditures and Changes
in Fund Balance – 2015
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
each fund included in the General Fund Accounts – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Spokane, Washington (the City)'s annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2015. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$2,123.3 million (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$2,041.3 million includes property, equipment and infrastructure, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$336.6 million is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$254.6) million became a negative amount this year due to the implementation of GASB 68 (as a change in accounting principles) that recorded the net pension obligation (an increase in liabilities) for the city's business and governmental type activities. The unrestricted net position represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported a total ending fund balance of \$205.9 million this year, an increase of \$70.8 million from the prior year with \$63.1 million of the increase due to bond proceeds restricted for capital projects underway. Revenues increased by \$10.2 million as follows:

Property Taxes	\$3.1 million
Sales Taxes	\$2.1 million
Utility Taxes	\$1.1 million
Other Taxes	\$1.9 million
Investment earnings	\$0.8 million
Other – Miscellaneous	\$1.1 million

- At the end of the current fiscal year, fund balance for the General Fund totaled \$39.8 million, excluding the nonspendable and restricted categories, which is 25% of General Fund expenditures excluding transfers.
- Overall, the City maintained its strong financial position in 2015, and is continuing to maintain a stable financial outlook, despite ongoing budgetary pressures related to the slow economic recovery.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

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

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

Notes To The Basic Financial Statements

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

Financial Analysis of the City as a Whole

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

The City's net position at fiscal year-end is \$2,123.1 million as shown below.

Summary of Net Position (in thousands)	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	300,000	197,447	348,559	372,007	648,559	569,454
Restricted assets	-	-	16,810	17,103	16,810	17,103
Capital assets	1,534,030	1,541,479	672,682	632,426	2,206,712	2,173,905
Total assets	1,834,030	1,738,926	1,038,051	1,021,536	2,872,081	2,760,462
DEFERRED OUTFLOWS	21,836	-	12,671	-	34,507	-
Total assets + deferred outflows	1,855,866	1,738,926	1,050,722	1,021,536	2,906,588	2,760,462
LIABILITIES						
Current liabilities	19,601	45,402	15,406	24,944	35,007	70,346
Long term liabilities	397,739	191,253	330,753	232,018	728,492	423,271
Total liabilities	417,340	236,655	346,159	256,962	763,499	493,617
DEFERRED INFLOWS	17,888	-	1,834	-	19,722	-
Total liabilities + deferred inflows	435,228	236,655	347,993	256,962	783,221	493,617
NET POSITION						
Net investment in capital assets	1,402,475	1,416,828	638,845	611,627	2,041,320	2,028,455
Restricted	138,153	73,800	198,484	-	336,637	73,800
Unrestricted	(119,990)	11,643	(134,601)	152,947	(254,591)	164,590
Total net position	1,420,638	1,502,271	702,728	764,574	2,123,366	2,266,845

The City continues to maintain a healthy current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 12.7 and 21.3 for business type activities. For the City overall, the current ratio is 16.5. We consider these ratios to be very strong.

Governmental Activities

Net position decreased by \$81.6 million for governmental activities and this is primarily attributable to the implementation of GASB 68 as a change in accounting principles that recorded the net pension obligation for the city's business type activities (an increase in liabilities).

The decrease of \$14.3 million in net investment in capital assets is primarily attributable to a related decrease in outstanding debt from principal payments in 2015 as well as a \$7 million reduction of capital assets from 2014 to 2015.

Business-Type Activities

The \$61.8 million decrease in business activities' net position is primarily attributable to the implementation of GASB 68 as a change in accounting principle that recorded the net pension obligation for the city's business type activities (an increase in liabilities of \$69.4 million) which was partially offset by \$7.1 million of net income that came mainly from the City's water/sewer fund.

It should be noted that 99% of the governmental activities' net position is related to the net investment in capital assets. The City uses these capital assets to provide services to its citizens. With business-type activities, the City has committed 91% of its net position on capital. Capital assets in the business-type activities provide utility services, but they also generate revenues for these funds. The net investment in capital assets makes up 96% of the City's total net position.

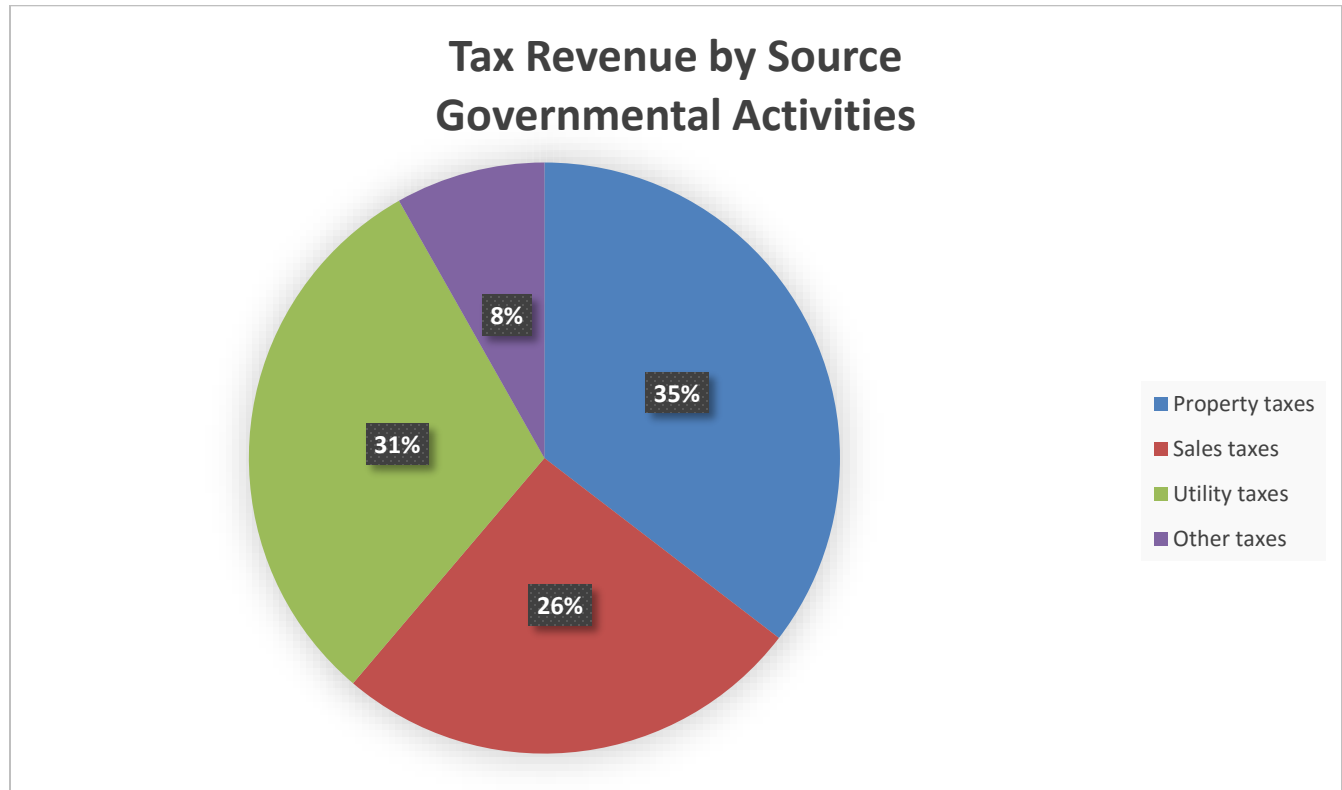
The following page provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
Change in Net Position (in thousands)	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	38,020	30,725	195,425	199,669	233,445	230,394
Operating grants and contributions	11,603	11,286	100	859	11,703	12,145
Capital grants and contributions	8,395	10,232	9,553	13,043	17,948	23,275
General revenues						
Taxes	194,524	186,373	-	-	194,524	186,373
Interest and investment Earnings	6,335	5,539	1,259	646	7,594	6,185
Total revenues	258,877	244,155	206,337	214,217	465,214	458,372
EXPENSES						
General government	(29,337)	(24,212)	-	-	(29,337)	(24,212)
Judicial	(4,288)	(4,212)	-	-	(4,288)	(4,212)
Public safety	(116,943)	(112,592)	-	-	(116,943)	(112,592)
Transportation	(53,900)	(46,604)	-	-	(53,900)	(46,604)
Economic environment	(11,449)	(19,235)	-	-	(11,449)	(19,235)
Social services	(8,806)	(99)	-	-	(8,806)	(99)
Culture and recreation	(31,333)	(31,201)	-	-	(31,333)	(31,201)
Interest on long term debt	(8,876)	(7,358)	-	-	(8,876)	(7,358)
Water/Sewer	-	-	(113,587)	(103,104)	(113,587)	(103,104)
Solid Waste	-	-	(68,143)	(75,335)	(68,143)	(75,335)
Other business activities	-	-	(9,897)	(8,851)	(9,897)	(8,851)
Total expenses	(264,932)	(245,513)	(191,627)	(187,290)	(456,559)	(432,803)
Excess (deficiency) of revenues over expenses before contributions & transfers	(6,055)	(1,358)	14,710	26,927	8,655	25,569
Transfers	7,154	203	(7,154)	(203)	-	-
Increase (decrease) in net position	1,099	(1,155)	7,556	26,724	8,655	25,569
Prior period adjustment	(245)		(9)		(254)	-
Change in accounting principle (GASB 68)	(82,487)		(69,394)		(151,881)	-
Net Position-January 1	1,502,271	1,503,426	764,575	737,851	2,266,846	2,241,277
Net Position-December 31	1,420,638	1,502,271	702,728	764,575	2,123,366	2,266,846

GOVERNMENTAL REVENUES

The City is heavily reliant on three types of taxes to support governmental operations—more than 74% of the governmental activities revenue is derived from taxes. Charges for services represented 15% of these revenues, grants and contributions represented 9%, and interest earnings made up the remaining 2%.

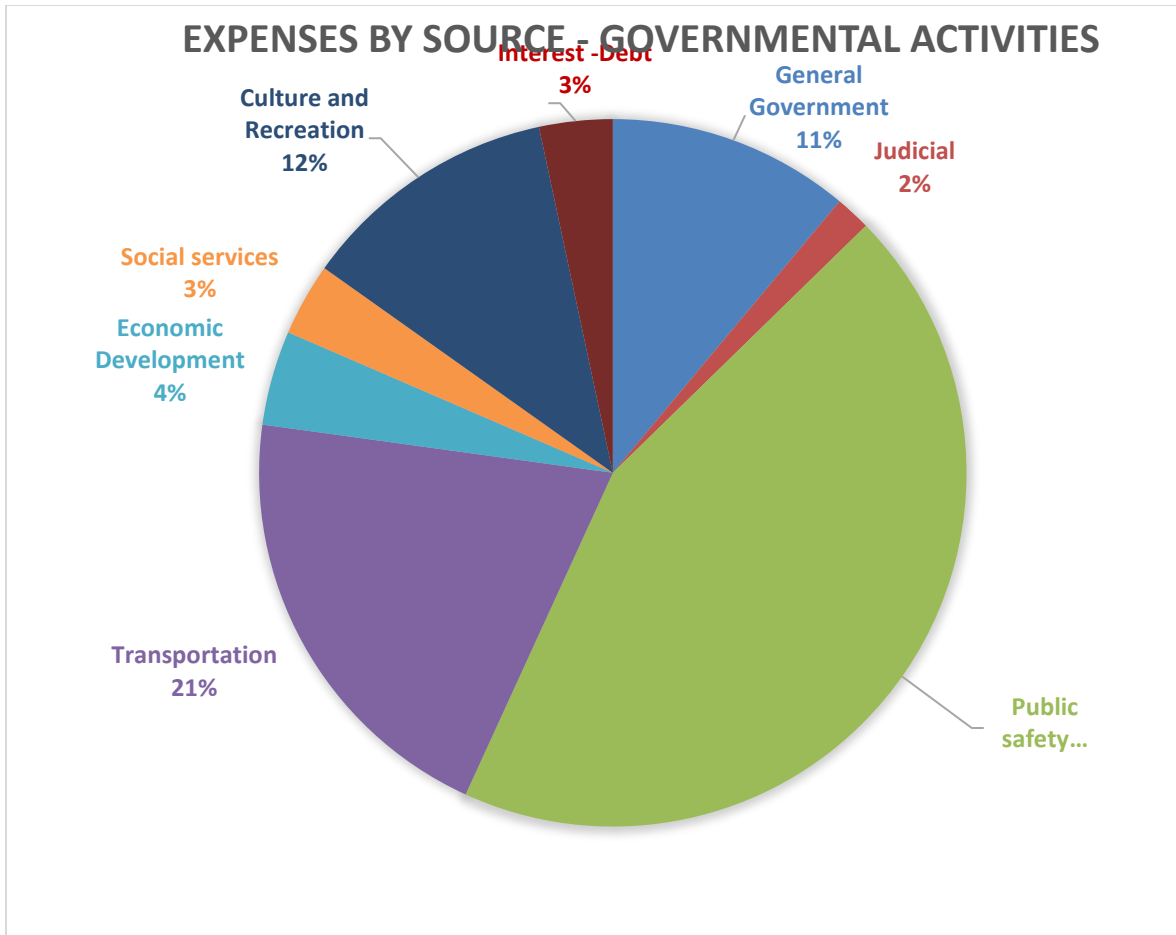
A breakdown of tax revenue is shown below.



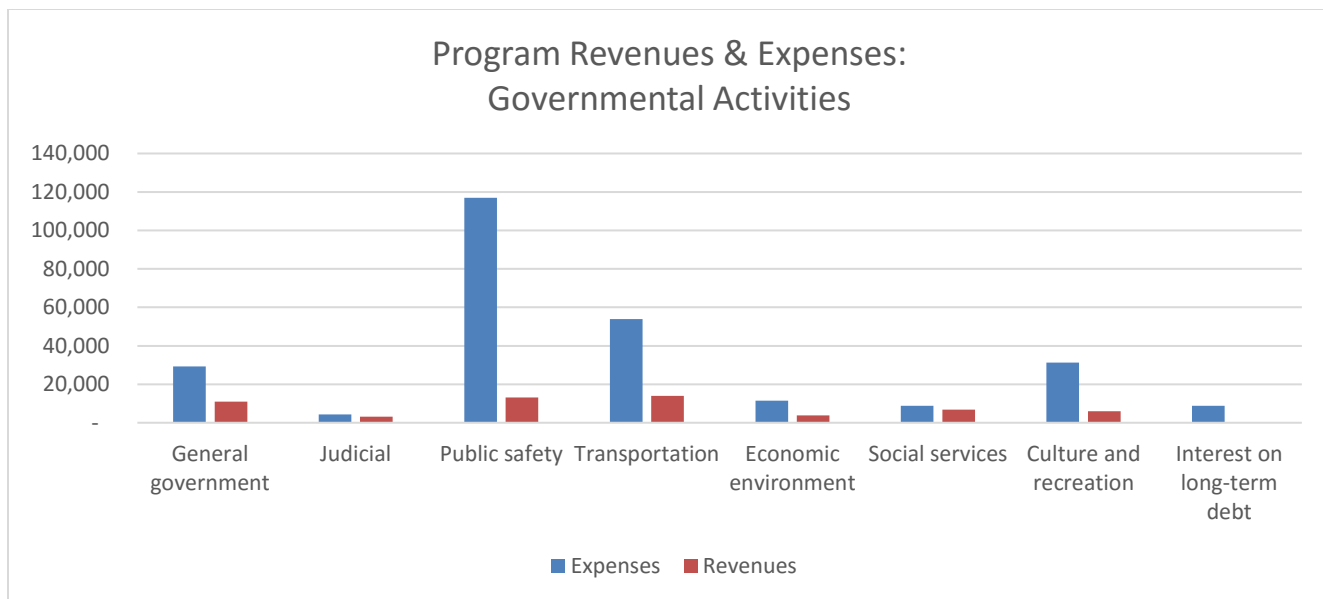
For governmental activities, program revenues cover approximately 23% of governmental operating expenses. This means that the government's taxpayers and the City's other general revenues fund 77% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

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



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



Program revenues did not cover the program expenses in any function in 2015 or in any year prior to 2015, as these expenditures by the city benefit all city residents and businesses.

BUSINESS-TYPE ACTIVITIES Revenues vs. Costs

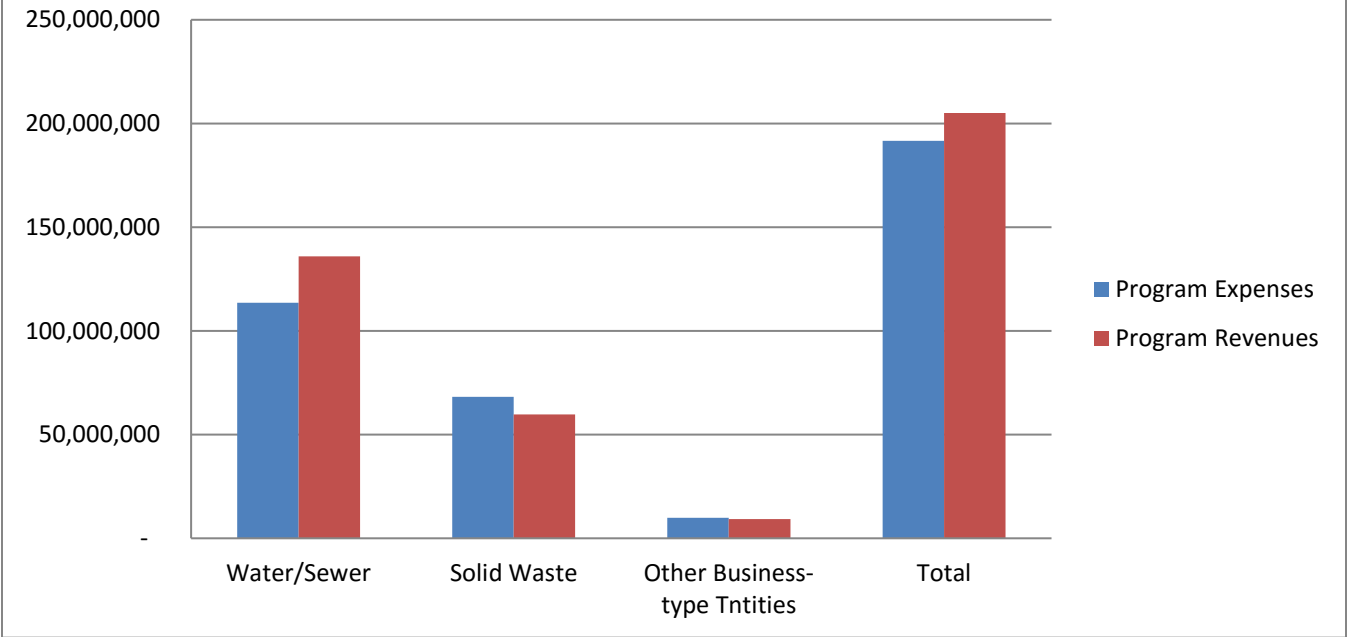
For all enterprise funds, the City reports a current ratio of 21.3, which is a healthy ratio. The business-type activities report capitalized assets of \$601 million, which provide a variety of services to the citizens of Spokane as well as some populations outside the City limits.

The business-type activities report (\$134.6) million in unrestricted net position, which is due to the fact that \$198.4 million of unspent bond proceeds from the revenue bonds issued in 2014 is currently restricted. The implementation of GASB 68 in 2015 resulted in a net pension liability of \$82.6 million further contributed to the deficit of unrestricted net position.

The operating revenues for the City's four enterprise funds decreased by \$8.4 million or a reduction of 3.98% over the prior year while operating expenses increased by \$4.3 million or 2.3% over 2014. The result is that operating income increased by \$13.4 million (compared to a \$26.3 million increase in 2014). All enterprise funds except the Water/Sewer fund experienced net losses in 2015.

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

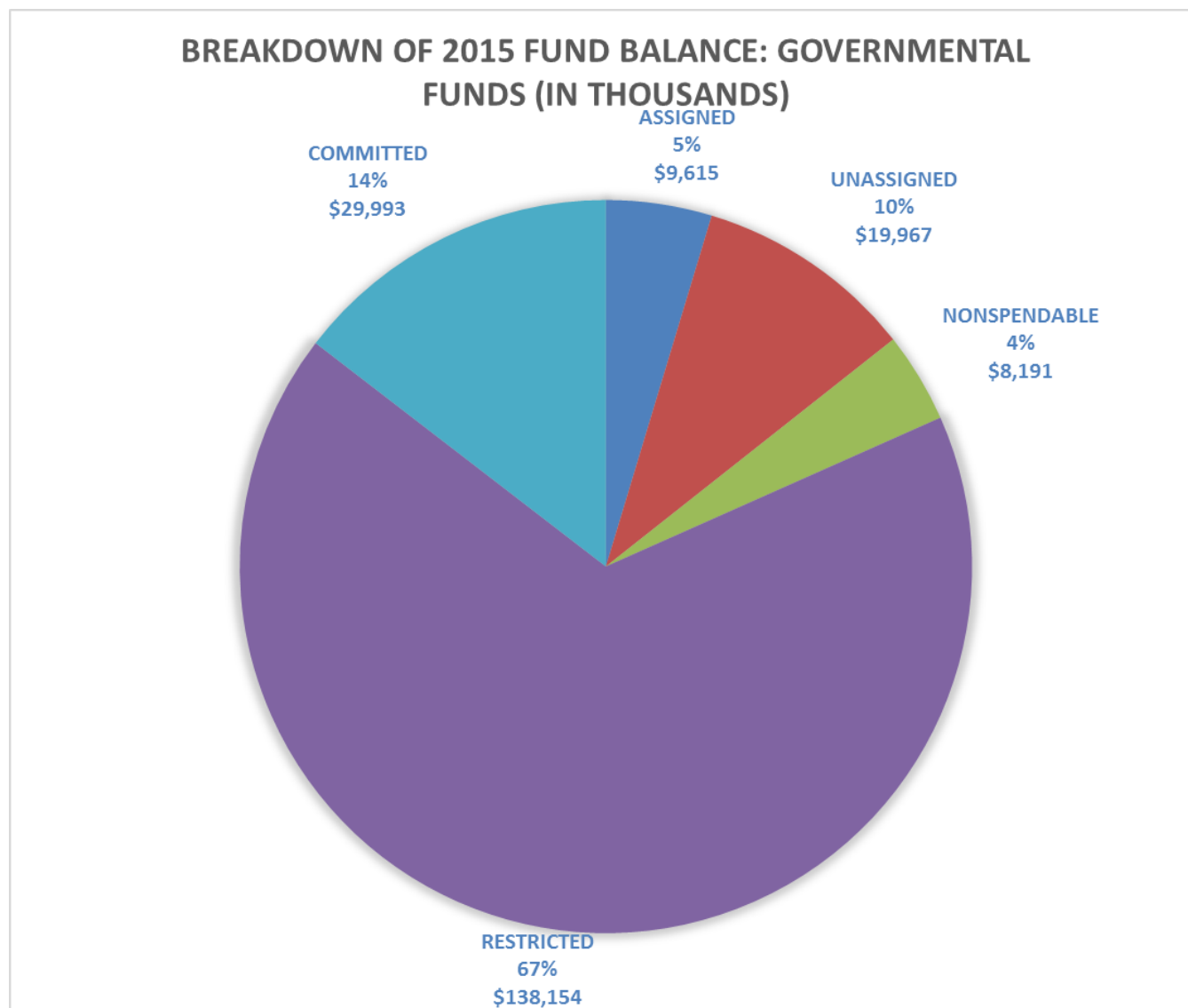
Program Revenues and Expenses: Business-Type Activities



Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balance of \$205.9 million. Of this total, \$9.6 million is assigned and \$20.0 million is unassigned. This represents approximately 14.4% of the total fund balance, and this constitutes a fund balance that is accessible to meet the City's needs. The remainder of the governmental funds' fund balance includes \$8.2 million "not in spendable form" for items that are not expected to be converted to near-term cash such as internal loans and inventory; \$138.1 million restricted by external parties, including grantors and creditors, and \$30.0 million committed by the City's elected officials for specific purposes.



Major Governmental Funds

The **General Fund** is the City's primary operating fund and the largest source of day-to-day service delivery. Pursuant to the implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City has combined several special revenue funds with the general fund for financial reporting purposes. A

schedule of the funds included in the General Fund information is included as a supplemental schedule. The General Fund's fund balance increased in 2015 by \$2.2 million.

Committed, assigned and unassigned fund balance in the General Fund was \$39.8 million, which as a percentage of expenditures was 25% of annual operations, compared with 25% at the end of 2014. The General Fund reserves are still considered adequate, and provide the City's management with the ability to effectively manage the economic slowdown and budgetary challenges that are facing many businesses and governments at this time. During the strong economic years in the middle of the previous decade, the City's management and elected officials committed to building a robust reserve to ensure the long-term financial health of the General Fund, and the fund balance at the end of 2015 reflects the results of this commitment. The steps taken to achieve this result and how the reserve has been managed during the current economic situation are discussed in the *Budgetary Highlights* section of this analysis.

The **Capital Improvements 2015 Park Fund** is used to account for the proceeds of UTGO 2015. In January 2015, the City issued \$60.7 million in unlimited tax general obligation bonds (UTGO Series 2015). The Bonds, which were approved by the voters on November 04, 2014, are being used to finance improvements to Riverfront Park and the Parks system.

Projects include:

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

The Proprietary Funds

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

The **Water/Sewer Fund** - The water/sewer fund reports net position of \$612.5 million, with a \$550.9 million net investment in capital assets (i.e., the book value of the capital assets less related debt). The current ratio for this fund is 16.70, which provides this fund with adequate resources to cover cash flow issues.

The water/sewer fund reported operating income of \$19.4 million. The City's management and elected officials are strategically balancing the amount of utility expenses that the citizens of Spokane can afford with the need to maintain service delivery, maintain and improve the utility's infrastructure, and provide for growth. Currently, this involves setting utility rate increases to be consistent with the consumer price index and aggressively managing operating expenses. The aggressive management of operating expenses allows for operating revenues to be directed towards investments in the utility's infrastructure. The sewer system is subject to regulatory requirements that will require significant capital improvements over the next several years. Part of the 2015 operating income will be directed towards those regulatory requirements in the coming years.

The **Solid Waste Fund** - The solid waste fund reports net position of \$79.1 million. The net investment in capital assets (i.e., the book value of the capital assets less related debt) is \$82 million. The current ratio for this fund is 5.34 which provides this fund with adequate resources to cover cash flow requirements. This fund reports (\$2.8) million in unrestricted net position.

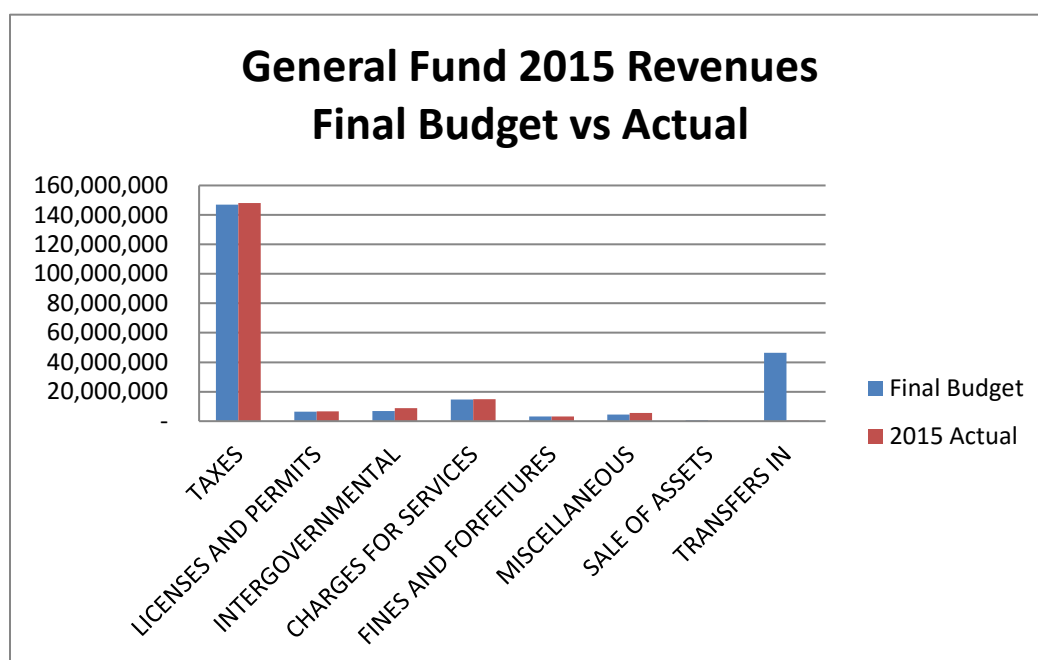
The solid waste fund reported an operating loss of \$8.9 million. \$2.0 million of the loss is due to an increase in depreciation expense for the last two years that is consistent with a 5% reduction in depreciable assets. The

remainder of the loss is due, in part, to the fact that the rate revenue increases are not sufficient to cover the current operating expenses of the Department.

Budgetary Highlights

The **General Fund** – In 2015, the original General Fund Revenue budget was \$1.7 million more than the 2014 actual results. In addition, the 2015 original expenditure budget was \$3.4 million more than the 2014 actual results. There was a favorable budget variance in taxes, the majority of which is due to higher than expected sales taxes.

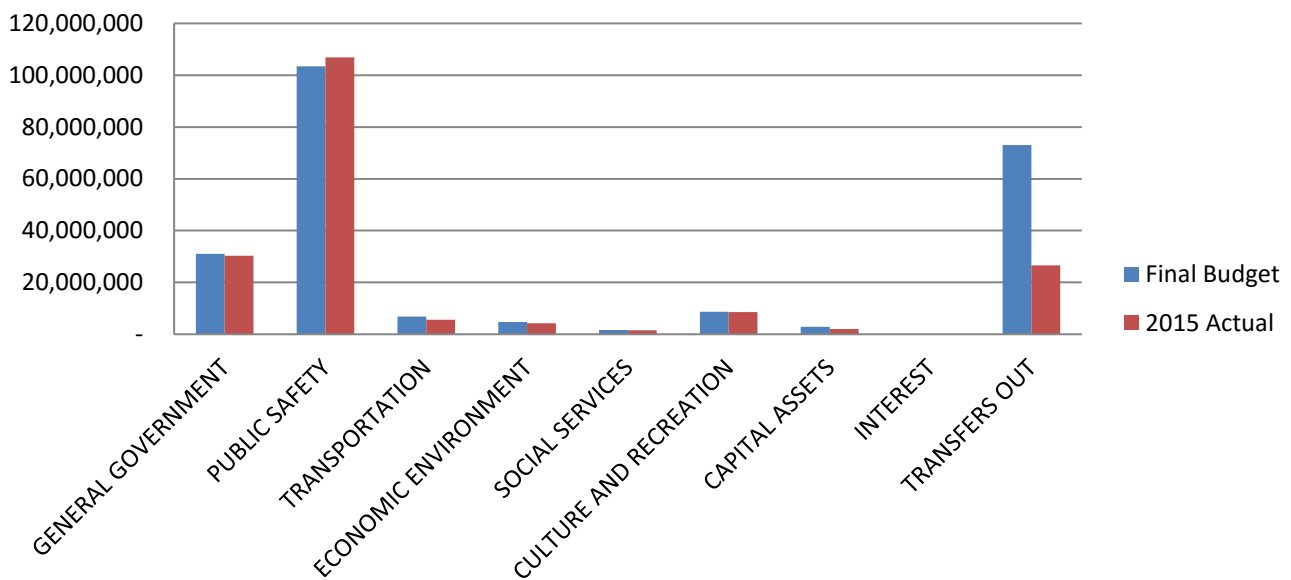
For the past several years, the City has strived to develop a budget that limits expenditures to anticipated revenue for the current year. The City Council amended both the revenue and expenditure budgets during 2015; the amendments resulted in a 1.0% change between the original and final budget for revenues, and a 2.6% change for expenditures.



The actual revenues were approximately \$2.1 million more than the actual expenditures, or 1.1% excess revenues over expenditures. The largest positive expenditure variances between the final budget and the actual amounts were in the transportation, capital asset, general government and transfer out categories. There was a negative budget variances in the public safety category. Generally, the positive variances related to reduced expenditures across most of the general fund, as the City's management and Council continue to recognize the effects of revenue shortfalls and adjust expenditures accordingly.

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

General Fund 2015 Expenses Final Budget vs Actual



Capital Assets and Debt Administration

Capital assets

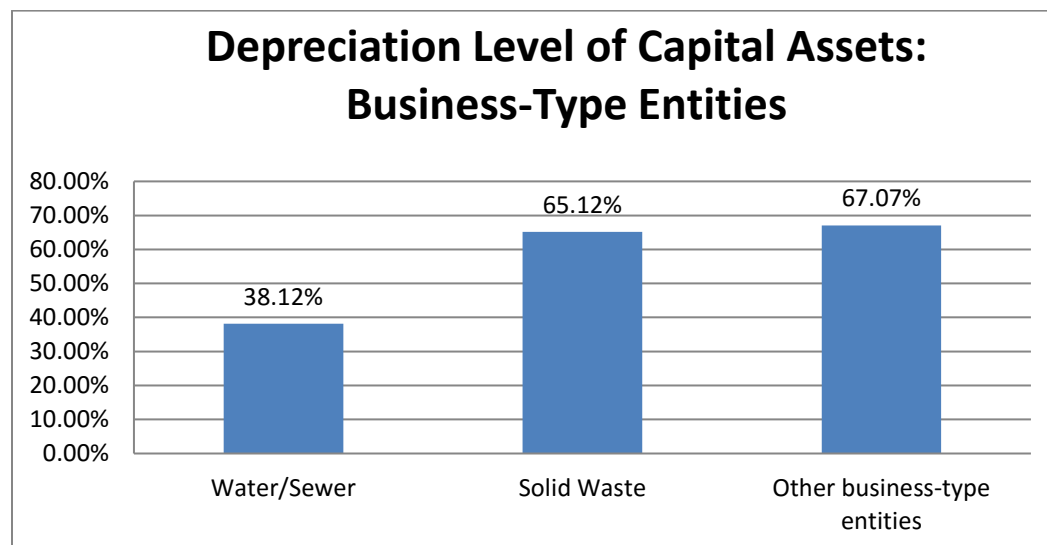
The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2015, was \$1,534 million and \$673 million respectively. See Note 4 for additional information about changes in capital assets during the fiscal year and amounts outstanding at the end of the year.

The following table provides a summary of capital assets.

	Governmental Activities		Business-Type Activities		Total	
Summary of Capital Assets (in thousands)	2015	2014	2015	2014	2015	2014
NON-DEPRECIABLE ASSETS						
Land	\$ 836,608	\$ 836,359	\$ 14,536	\$ 14,230	\$ 851,143	\$ 850,589
Construction in progress	29,271	30,135	56,509	50,594	85,780	80,729
Total non-depreciable assets	865,879	866,494	71,045	64,824	936,924	931,318
DEPRECIABLE ASSETS						
Buildings	87,832	87,305	301,412	284,687	389,243	371,993
Other improvements	86,423	83,362	99,894	97,151	186,317	180,513
Machinery and equipment	91,742	96,832	151,004	148,779	242,746	245,611
Infrastructure	1,038,982	1,020,872	525,502	487,762	1,564,484	1,508,633
Intangible assets	5,573	-	114	114	5,687	114
Total depreciable assets	1,310,552	1,288,371	1,077,926	1,018,493	2,388,478	2,306,864
Total cost of capital assets	2,176,430	2,154,865	1,148,971	1,083,318	3,325,402	3,238,183
ACCUMULATED DEPRECIATION	(642,401)	(613,386)	(476,289)	(450,892)	(1,118,690)	(1,064,278)
Total book value of capital assets	\$ 1,534,030	\$ 1,541,479	\$ 672,682	\$ 632,426	\$ 2,206,712	\$ 2,173,905
Percentage depreciated	49%	48%	44%	44%	47%	46%

At December 31, 2015 and December 31, 2014, the depreciable capital assets for governmental activities were 49-48% depreciated.

With the City's business-type activities, 44% of the asset values were depreciated at December 31, 2015 and at December 31, 2014. These percentages indicate that the City is maintaining and replacing their assets at a favorable rate. The percentage of depreciated assets for each of the three enterprise funds that report capital assets is as follows:



Long-term debt

At the end of the fiscal year, the City had long-term debt outstanding of \$436.8 million. Of this amount, \$204.4 million or 46.8% is backed by the full faith and credit of the City (general obligation bonds) with debt service fully funded by voter-approved property taxes or general government revenue. The other major component of \$231 million is supported by pledged revenues generated primarily by the business-type activities of the City (revenue bonds and loans from other governments).

During the year, the City retired \$61.1 million or 16.8% of the beginning outstanding borrowed debt balance.

	Governmental Activities		Business-Type Activities		Total	
Outstanding Borrowings	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 195,226,287	\$ 137,956,287	453,713	453,713	195,680,000	\$ 138,410,000
Deferred amounts ¹	8,587,640	3,313,426	-	-	8,587,640	3,313,426
Special assessment debt	250,000	480,000	-	-	250,000	480,000
Revenue bonds	-	-	175,600,000	181,225,000	175,600,000	181,225,000
Deferred amounts	-	-	19,442,318	19,711,699	19,442,318	19,711,699
Other government/bank loans	1,178,973	1,291,890	35,950,172	20,345,446	37,129,145	21,637,336
Total	\$ 205,242,900	\$ 143,041,603	\$ 231,446,203	\$ 221,735,858	\$ 436,689,103	\$ 364,777,461
¹ Not presented in prior years.						

Long-term debt increased by \$71.9 million during 2015, which was the result of a \$48.3 million refunding of existing debt (along with \$2.0 million of bond premiums) and the issuance of \$60.0 million of new general obligation debt (with \$5.5 million of bond premiums) to rebuild a significant portion of Riverfront Park. In addition, nearly \$54 million of debt was either paid off because it matured or was paid off because it was refinanced. Both of the above financings occurred because City of Spokane voters approved a refinancing proposal to maintain and rebuild streets and renew Riverfront Park.

On February 11, 2015, the city issued \$48.3 million in limited tax general obligation (LTGO) refunding bonds to advance refund; (i) \$7.35 million of outstanding 2004 unlimited tax general obligation (UTGO) bonds and (ii) \$38.155 million of outstanding 2007 unlimited tax general obligation (UTGO) and refunding bonds. The Bonds were issued to refund all of the City's outstanding 2004 UTGO Bonds and 2007 UTGO Bonds and to pay the costs of issuance of the Bonds. A portion of the net proceeds from the sale of the Bonds and other available funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 and 2007 UTGO bonds. As a result, the 2004 and the 2007 UTGO bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The city has also started a large scale upgrade (\$100 million dollars) of the Riverside Park water reclamation facility, its main treatment plant. A component of the funding for this project included the state funded issuance in 2015 of \$17.062 million of sewer/water revenue debt.

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

Economic Conditions Affecting the City

Since one of the primary revenue streams for the City is sales tax, the City's sales tax revenues are subject to changes in the economy. Sales taxes are an "elastic" revenue stream; tax collections are higher in a flourishing economy and are lower in a depressed economy. While enjoying a strong economy in the middle of the last decade, the City of Spokane for the last several years has been dealing with the slow recovery from the nation-wide economic downturn. The City's management and elected officials are responding to the economic

conditions with a balanced approach including cutting expenses, encouraging new business activity by minimizing tax increases, and using reserve balances strategically.

Contacting the City's Financial Management

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

**City of Spokane, Washington
Statement of Net Position
December 31, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 55,323,255	\$ 50,080,135	\$ 105,403,390
Equity in pooled investments	158,883,822	232,741,157	391,624,979
Receivables (net)	32,287,618	40,805,002	73,092,620
Internal balances	(19,905,378)	19,905,378	-
Inventories	2,538,186	4,947,955	7,486,141
Other assets	(71,858)	78,962	7,104
Restricted Assets:			
Cash and cash equivalents + investments	-	16,809,886	16,809,886
Receivables, noncurrent	38,782,385	-	38,782,385
Net pension asset	32,162,324	-	32,162,324
Capital Assets (Note 4):			
Non-depreciable assets	865,878,514	71,045,281	936,923,795
Depreciable assets, net of depreciation	668,151,113	601,637,141	1,269,788,254
Total capital assets, net of depreciation	1,534,029,627	672,682,422	2,206,712,049
Total Assets	1,834,029,981	1,038,050,897	2,872,080,878
DEFERRED OUTFLOWS			
Pensions	21,835,913	12,670,829	34,506,742
Total deferred outflows	21,835,913	12,670,829	34,506,742
Total Assets Plus Deferred Outflows	1,855,865,894	1,050,721,726	2,906,587,621
LIABILITIES			
Accounts payable and accrued expenses	10,003,921	12,746,544	22,750,465
Unearned revenue	139,855	-	139,855
Accrued liabilities	5,501,964	1,821,544	7,323,508
Other liabilities, current	3,955,677	837,825	4,793,502
Long term liabilities (Note 9):			
Due within one year	25,392,187	8,076,791	33,468,979
Due within more than one year	372,345,743	322,676,670	695,022,413
Total Liabilities	417,339,348	346,159,374	763,498,722
DEFERRED INFLOWS			
Property taxes	(246,777)	-	(246,777)
Grants	(29,245)	-	(29,245)
Pensions	17,172,210	1,834,297	19,006,507
Bond refundings	991,898	-	991,898
Total deferred inflows	17,888,086	1,834,297	19,722,383
Total Liabilities Plus Deferred Inflows	435,227,433	347,993,671	783,221,104
NET POSITION			
Net investment in capital assets	1,402,474,514	638,844,828	2,041,319,342
Restricted for:			
Capital projects	87,703,608	198,484,123	286,187,731
Debt service	7,890,426	-	7,890,426
Grants/other	41,762,354	-	41,762,354
Police and firefighters' pension	731,941	-	731,941
Other	65,224	-	65,224
Unrestricted	(119,989,606)	(134,600,896)	(254,590,502)
Total Net Position	\$ 1,420,638,461	\$ 702,728,055	\$ 2,123,366,516

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

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

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Governmental Activities:				
General government	\$ 29,337,132	\$ 10,819,276	\$ 162,194	\$ -
Judicial	4,287,794	3,097,232	64,400	-
Public safety	116,942,571	10,852,114	1,650,922	646,714
Transportation	53,899,784	6,111,710	177,782	7,738,944
Economic environment	11,449,437	208,846	3,631,547	-
Social services	8,806,056	978,875	5,870,944	-
Culture and recreation	31,333,401	5,952,285	45,126	8,972
Interest on long-term debt	8,875,820	-	-	-
Total governmental activities	264,931,994	38,020,338	11,602,917	8,394,631
Business-Type Activities:				
Water/Sewer	113,586,328	126,426,145	-	9,552,553
Solid Waste	68,142,716	59,654,821	100,549	-
Other business-type entities	9,897,164	9,344,374	-	-
Total business-type activities	191,626,208	195,425,340	100,549	9,552,553
Total government	\$ 456,558,202	\$ 233,445,678	\$ 11,703,466	\$ 17,947,184

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

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

	Net (Expense) Revenue and Change in Net Position		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (18,355,662)	\$ -	\$ (18,355,662)
Judicial	(1,126,162)	-	(1,126,162)
Public safety	(103,792,820)	-	(103,792,820)
Transportation	(39,871,347)	-	(39,871,347)
Economic environment	(7,609,044)	-	(7,609,044)
Mental and physical health	(1,956,237)	-	(1,956,237)
Culture and recreation	(25,327,018)	-	(25,327,018)
Interest on long-term debt	(8,875,820)	-	(8,875,820)
Total governmental activities	(206,914,109)	-	(206,914,109)
Business-Type Activities:			
Water/Sewer	-	22,392,370	22,392,370
Solid Waste	-	(8,387,346)	(8,387,346)
Other business-type entities	-	(552,790)	(552,790)
Total business-type activities	-	13,452,234	13,452,234
Total government	\$ (206,914,109)	\$ 13,452,234	\$ (193,461,875)
General Revenues			
Property taxes	68,892,902	-	68,892,902
Sales taxes	50,176,407	-	50,176,407
Utility taxes	59,521,382	-	59,521,382
Other taxes	15,933,153	-	15,933,153
Investment earnings	6,335,443	1,258,861	7,594,304
Transfers	7,154,570	(7,154,570)	-
Total general revenues and transfers	208,013,857	(5,895,709)	202,118,148
Change in Net Position	1,099,748	7,556,525	8,656,273
Prior period adjustment	(244,772)	(9,343)	(254,115)
Change in accounting principle (GASB 68)	(82,487,318)	(69,393,823)	(151,881,141)
Net Position - beginning (restated)	1,502,270,804	764,574,696	2,266,845,500
Net Position - ending	\$ 1,420,638,461	\$ 702,728,055	\$ 2,123,366,516

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

**City of Spokane, Washington
Balance Sheet
Governmental Funds
December 31, 2015**

	General Fund	UTGO 2015	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 9,784,982	\$ 561,567	\$ 20,139,128	\$ 30,485,677
Deposits with fiscal agents/trustees	39,468	-	94,049	133,517
Equity in pooled investments	15,167,316	59,183,621	37,957,258	112,308,195
Taxes receivable	13,716,385	-	3,237,419	16,953,804
Special assessment receivable	-	-	2,741,431	2,741,431
Accounts receivable	3,395,080	-	651,803	4,046,883
Interest receivable	468,441	82,083	18,971	569,495
Due from other funds	5,872,342	26,548	3,800,396	9,699,286
Interfund loan receivable	1,575,464	468,387	299,018	2,342,869
Due from other governments	925,452	-	6,166,342	7,091,794
Advances to other funds	931,921	3,749,047	2,393,377	7,074,345
Inventories	-	-	1,116,326	1,116,326
Notes/contract receivable (non-current)	168,779	-	38,613,606	38,782,385
Total Assets	52,045,630	64,071,253	117,229,124	233,346,007
Total Assets Plus Deferred Outflows of Resources	52,045,630	64,071,253	117,229,124	233,346,007
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts/vouchers payable	1,925,043	15,192	4,289,071	6,229,306
Due to other funds	1,313,127	63,657	3,781,017	5,157,801
Due to other governments	107,855	-	98,577	206,432
Revenues collected in advance	60,000	-	79,855	139,855
Interfund loan payable	-	-	1,459,034	1,459,034
Other accrued liabilities	4,275,669	-	744,770	5,020,439
Other current liabilities	935,395	-	2,911,888	3,847,283
Total Liabilities	8,617,089	78,849	13,364,212	22,060,150
DEFERRED INFLOWS OF RESOURCES				
Property taxes	2,128,191	-	3,237,332	5,365,523
Total Liabilities Plus Deferred Inflows of Resources	10,745,280	78,849	16,601,544	27,425,673
Fund Balances				
Nonspendable	931,921	3,749,047	3,509,698	8,190,666
Restricted - capital projects	-	60,243,357	27,460,251	87,703,608
Restricted - police & firefighters' pension	-	-	731,941	731,941
Restricted - grants	612,166	-	41,150,188	41,762,354
Restricted - debt service	-	-	7,890,426	7,890,426
Restricted - other	-	-	65,224	65,224
Committed	16,101,623	-	13,891,768	29,993,391
Assigned	3,687,376	-	5,928,084	9,615,460
Unassigned	19,967,264	-	-	19,967,264
Total Fund Balance	\$ 41,300,350	\$ 63,992,404	\$ 100,627,580	\$ 205,920,334

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

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
December 31, 2015**

Total Fund Balance of Governmental Funds	\$	205,920,334
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	858,078,356	
Depreciable assets	1,238,061,688	
Less: Accumulated depreciation	<u>(605,132,360)</u>	
Total capital assets		1,491,007,684
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resources and therefore is not reported in the funds.		
		32,162,324
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		
		18,635,033
Deferred inflows of resources represent an acquisition of fund equity that will be reported as an inflow of resources in a future period and therefore are not reported in the funds.		
Property tax	5,612,300	
Grants	29,245	
Refunding debt	(991,898)	
Pensions	<u>(14,780,808)</u>	
		(10,131,161)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
		36,394,930
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Bonds payable	(195,226,287)	
Deferred amounts on bond issuance	(8,587,640)	
Special assessment debt	(250,000)	
Governmental loans	(1,178,973)	
Revitalization areas	(3,570,731)	
OPEB (other postemployment benefits) liability	(13,917,200)	
Net pension obligation	(113,909,605)	
Accrued interest on bonds	(682,238)	
Compensated absences	<u>(16,028,010)</u>	
Total long term liabilities		<u>(353,350,684)</u>
Net Position of Governmental Activities	\$	<u><u>1,420,638,461</u></u>

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

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

	General Fund	UTGO 2015	Other Governmental Funds	Total
REVENUES				
Taxes	\$ 148,114,876	\$ -	\$ 37,402,969	\$ 185,517,845
Licenses and permits	6,769,497	-	537,334	7,306,831
Intergovernmental	8,813,594	-	26,613,434	35,427,028
Charges for services	14,869,699	-	12,393,725	27,263,424
Fines and forfeitures	3,268,994	-	1,643,822	4,912,816
Miscellaneous	5,541,035	533,733	5,451,208	11,525,976
Total Revenues	187,377,695	533,733	84,042,492	271,953,920
EXPENDITURES				
Current:				
General government	30,259,412	-	9,155,087	39,414,499
Public safety	106,937,313	-	15,214,990	122,152,303
Transportation	5,628,838	-	20,578,073	26,206,911
Economic environment	4,281,283	-	6,594,724	10,876,007
Social services	1,573,722	-	7,209,537	8,783,259
Culture and recreation	8,522,999	166,607	16,274,060	24,963,666
Capital outlays	1,971,376	677,804	21,202,873	23,852,053
Debt service:				
Principal	-	-	6,034,830	6,034,830
Interest	-	426,770	8,449,050	8,875,820
Total Expenditures	159,174,943	1,271,181	110,713,224	271,159,348
Excess of Revenues Over (Under) Expenditures	28,202,752	(737,448)	(26,670,732)	794,572
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	62,560	-	147,203	209,763
Proceeds of bonds issued	-	59,277,935	792,065	60,070,000
Refunding bonds issued	-	-	48,305,000	48,305,000
Premium on bonds issued	-	5,451,917	2,056,006	7,507,923
Payment to escrow agent for refunded bond debt	-	-	(49,778,428)	(49,778,428)
Transfers in	463,420	-	41,786,599	42,250,019
Transfers out	(26,640,585)	-	(11,957,080)	(38,597,665)
Total Other Financing Sources (Uses)	(26,114,605)	64,729,852	31,351,365	69,966,612
Excess (deficiency) of revenues of other sources over (under) expenditures and other taxes	2,088,147	63,992,404	4,680,633	70,761,184
Other Changes in Fund Balance				
Fund Balance - beginning	39,088,654	-	95,947,500	135,036,154
Period Adjustment	123,549	-	(553)	122,996
Fund Balance - beginning (restated)	39,212,203	-	95,946,947	135,159,150
Fund balance - ending	\$ 41,300,350	\$ 63,992,404	\$ 100,627,580	\$ 205,920,334

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
Governmental Funds
December 31, 2015

Change in fund balance - governmental funds **\$ 70,761,176**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	26,090,367	
Depreciation expense	(33,609,627)	
		(7,519,260)

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

Capital assets sold	(7,503,124)	
Less accumulated depreciation	4,740,721	
		(2,762,403)

Some revenues in the governmental funds that were not available until the current year were reported in prior years in the Statement of Activities. (216,487)

Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:

Bonds issued	(60,070,000)	
Principal repayments - general obligation debt	5,600,000	
Principal repayments - special assessment debt	230,000	
Principal repayments - due to other governments	112,917	
Principal repayments - revitalization areas	91,912	
		(54,035,171)

Some expense/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in the governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:

(Increase) decrease in OPEB (other postemployment benefit) liability	(806,211)	
(Increase) decrease in compensated absences	(503,579)	
(Increase) decrease in revitalization areas	(2,279,259)	
(Increase) decrease in deferred amounts on bond issuance	2,237,807	
(Increase) decrease in deferred amounts on bond issuance	(279,997)	
(Increase) decrease in accrued interest		
Increase (decrease) in pension expense	(5,030,000)	
Increase (decrease) in refunding amortization	110,211	
		(6,551,029)

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

1,422,922

Change in net position of governmental activities **\$ 1,099,748**

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

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

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 45,297,385	\$ 3,325,219	\$ 1,397,383	\$ 50,019,987	\$ 23,663,597
Deposits with fiscal agents	50,915	9,233	-	60,148	1,040,464
Equity in pooled investments	215,463,210	15,241,773	2,036,174	232,741,157	46,575,627
Accounts receivable	12,841,720	5,618,128	414,630	18,874,478	851,863
Interest receivable	107,150	11,533	1,001	119,684	21,660
Due from other funds	2,110,814	1,087,982	73,352	3,272,148	4,212,574
Interfund loan receivable	1,748,049	113,336	16,039	1,877,424	366,875
Due from other governments	21,766,174	44,612	54	21,810,840	10,688
Inventories	2,488,515	2,436,697	22,743	4,947,955	1,421,860
Prepayments	-	-	-	-	(71,858)
Equity in pooled investments, restricted	6,454,931	10,354,955	-	16,809,886	-
Interest receivable, restricted	-	-	-	-	-
Total current assets	308,328,863	38,243,468	3,961,376	350,533,707	78,093,350
Noncurrent assets:					
Non depreciable capital assets:					
Land	10,106,705	3,139,893	1,289,224	14,535,822	6,529,698
Construction in progress	56,509,459	-	-	56,509,459	1,270,460
Depreciable capital assets:					
Property, plant, and equipment	310,385,128	225,924,230	16,000,434	552,309,792	57,297,887
Infrastructure	525,502,441	-	-	525,502,441	9,619,118
Capitalized software	-	-	-	-	5,573,267
Intangible assets	113,766	-	-	113,766	-
Less accumulated depreciation	(318,428,239)	(147,128,828)	(10,731,791)	(476,288,858)	(37,268,487)
Total capital assets	584,189,260	81,935,295	6,557,867	672,682,422	43,021,943
Other noncurrent assets					
Other noncurrent assets	44,000	34,962	-	78,962	-
Advances to other funds	13,991,669	907,157	128,378	15,027,204	2,936,537
Total noncurrent assets	598,224,929	82,877,414	6,686,245	687,788,588	45,958,480
Total assets	906,553,792	121,120,882	10,647,621	1,038,322,295	124,051,830
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	7,520,670	3,580,801	1,569,358	12,670,829	3,200,880
Total deferred outflows of resources	7,520,670	3,580,801	1,569,358	12,670,829	3,200,880
Total assets plus deferred outflows of resources	914,074,462	124,701,683	12,216,979	1,050,993,124	127,252,710

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

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
LIABILITIES					
Current Liabilities:					
Accounts payable	7,614,137	4,119,095	150,086	11,883,318	2,775,420
Claims and judgements payable	-	-	-	-	17,900,788
Compensated absences	190,594	84,650	34,897	310,141	194,941
Capital lease payable	-	-	40,772	40,772	-
Due to other funds	6,963,022	2,181,519	187,250	9,331,791	2,694,416
Interfund loan payable	-	-	-	-	28,166,220
Due to other governments	1,412,439	-	-	1,412,439	110,525
Accrued interest	721,733	-	-	721,733	-
Other accrued liabilities	1,019,361	590,127	212,056	1,821,544	481,525
Other current liabilities	544,078	192,259	101,488	837,825	108,394
Total current liabilities	18,465,364	7,167,650	726,549	26,359,563	52,432,229
Current liabilities payable from restricted assets:					
Revenue bonds payable	5,920,000	-	-	5,920,000	-
Unamortized premium on revenue bonds	534,931	-	-	534,931	-
Total current liabilities payable from restricted assets	6,454,931	-	-	6,454,931	-
Noncurrent Liabilities:					
Revenue bonds payable	169,680,000	-	-	169,680,000	-
Unamortized premium on revenue bonds	18,907,387	-	-	18,907,387	-
General obligation bonds payable	-	-	453,713	453,713	-
Due to other government units	34,679,228	-	-	34,679,228	-
Compensated absences	2,982,927	1,088,257	523,732	4,594,916	1,569,594
Noncurrent capital lease payable	-	-	131,220	131,220	-
Net pension liability	49,856,068	24,479,492	8,348,206	82,683,766	25,404,162
Accrued landfill postclosure liability	-	11,546,441	-	11,546,441	-
Total noncurrent liabilities	276,105,610	37,114,190	9,456,871	322,676,671	26,973,756
Total Liabilities	301,025,905	44,281,840	10,183,420	355,491,165	79,405,985
DEFERRED INFLOWS OF RESOURCES					
Pensions	544,352	1,289,945	-	1,834,297	2,391,402
Total deferred inflows of resources	544,352	1,289,945	-	1,834,297	2,391,402
Total liabilities plus deferred inflows of resources	301,570,257	45,571,785	10,183,420	357,325,462	81,797,387
NET POSITION					
Net investments in capital assets	550,977,372	81,935,295	5,932,161	638,844,828	43,021,943
Restricted	198,484,123	-	-	198,484,123	-
Unrestricted	(136,957,290)	(2,805,397)	(3,898,602)	(143,661,289)	2,433,380
Total Net Position	\$ 612,504,205	\$ 79,129,898	\$ 2,033,559	693,667,662	\$ 45,455,323
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				9,060,393	
Net position of business-type activities				<u>\$ 702,728,055</u>	

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

City of Spokane, Washington
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
OPERATING REVENUES					
Charges for goods and services	\$ 125,751,886	\$ 57,973,051	\$ 9,317,611	\$ 193,042,548	\$ 79,143,330
Total operating revenues	125,751,886	57,973,051	9,317,611	193,042,548	79,143,330
OPERATING EXPENSES					
Salaries and wages	22,031,146	12,437,924	4,301,346	38,770,416	11,350,328
Personnel benefits	7,856,983	4,574,496	1,463,965	13,895,444	4,020,320
Supplies	4,856,416	3,475,925	332,266	8,664,607	3,802,003
Other services and charges	22,173,388	25,767,276	2,904,378	50,845,042	14,900,408
Intergovernmental	-	500	-	500	-
Taxes	28,573,669	9,284,915	20,650	37,879,234	162,168
Depreciation/amortization	20,604,451	10,923,276	932,145	32,459,872	4,283,811
Risk transfer payments	270,539	439,052	-	709,591	8,598,317
Claims processing	-	-	-	-	2,417,893
Payments to claimants and beneficiaries	-	-	-	-	33,059,353
Total operating expenses	106,366,592	66,903,364	9,954,750	183,224,706	82,594,601
Operating Income (Loss)	19,385,294	(8,930,313)	(637,139)	9,817,842	(3,451,271)
NONOPERATING REVENUES (EXPENSES)					
Interest income	1,128,622	119,946	10,293	1,258,861	210,678
Gain (loss) on disposition of fixed assets	40,806	(1,626,371)	1,800	(1,583,765)	(470)
Interest expense	(7,842,260)	-	-	(7,842,260)	(508,827)
Other nonoperating revenue	2,522,068	1,782,319	24,963	4,329,350	1,548,617
Total nonoperating revenues (expenses)	(4,150,764)	275,894	37,056	(3,837,814)	1,249,998
Income (loss) before capital contributions and transfers	15,234,530	(8,654,419)	(600,083)	5,980,028	(2,201,273)
Capital contributions	7,663,938	-	-	7,663,938	1,189,108
Transfers in	-	466,457	274,000	740,457	3,875,939
Transfers out	(7,864,905)	(460)	(29,662)	(7,895,027)	(373,723)
Change in Net Position	15,033,563	(8,188,422)	(355,745)	6,489,396	2,490,051
Net Position - beginning	638,880,395	108,780,595	8,920,442	756,581,432	66,802,829
Change in Accounting Principle	(41,400,410)	(21,462,275)	(6,531,138)	(69,393,823)	(23,840,887)
Prior Period Adjustment	(9,343)	-	-	(9,343)	3,330
Net Position - beginning (restated)	597,470,642	87,318,320	2,389,304		42,965,272
Net Position - ending	\$ 612,504,205	\$ 79,129,898	\$ 2,033,559		\$ 45,455,323
Change in Net Position				6,489,396	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				1,067,129	
Change in net position of business-type activities				\$ 7,556,525	

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

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

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service
	Water/Sewer	Solid Waste	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 111,414,617	\$ 68,831,390	\$ 9,291,663	\$ 189,537,670	\$ 80,154,834
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers for services	(24,480,930)	(35,953,279)	(3,151,628)	(63,585,837)	(63,382,588)
Payments to employees	13,171,229	5,192,762	1,041,285	19,405,276	9,175,336
Payment for taxes - city and state	(28,573,669)	(9,284,915)	(20,650)	(37,879,234)	(158,550)
Payments for interfund services received	-	-	-	-	-
Other receipts (payments)	(41,409,753)	(21,462,275)	(6,528,757)	(69,400,785)	(23,840,887)
Net cash provided (used) by operating activities	30,121,494	7,323,683	631,913	38,077,090	1,948,145
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in (out)	-	-	137,000	137,000	794,828
Net cash provided (used) by noncapital financing activities	-	-	137,000	137,000	794,828
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Proceeds from disposal of capital assets	377,366	(17,561,402)	1,800	(17,182,236)	263,001
Proceeds from loans, notes, and lease purchase payable	17,070,634	-	-	17,070,634	-
Capital grants and contributions received	(30,127,002)	-	-	(30,127,002)	-
Acquisition and construction of capital assets	(18,994,784)	-	(331,887)	(19,326,671)	(6,338,641)
Principal paid on intergovernmental loans	(1,448,426)	-	-	(1,448,426)	-
Principal paid on revenue bonds	(5,625,000)	-	-	(5,625,000)	-
Interest paid on interfund loans	-	-	-	-	(508,827)
Interest paid on intergovernmental loans	(187,831)	-	-	(187,831)	-
Interest paid on revenue bonds	(7,887,806)	-	171,992	(7,715,814)	-
Interest paid on general obligation bonds	-	-	-	-	-
Transfers in (out)	(7,864,905)	465,997	107,338	(7,291,570)	2,680,554
Net cash provided (used) by capital and related financing activities	(54,687,754)	(17,095,405)	(50,757)	(71,833,916)	(3,903,913)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(10,762,448)	(11,618,632)	(919,928)	(23,301,008)	(8,003,475)
Proceeds from sales and maturities of investments	73,417,218	19,190,000	799,452	93,406,670	16,592,905
Interest received	1,256,588	118,724	10,272	1,385,584	203,983
Net cash provided (used) by investing activities	63,911,358	7,690,092	(110,204)	71,491,246	8,793,413
Net increase (decrease) in cash and cash equivalents	39,345,098	(2,081,630)	607,952	37,871,420	7,632,473
Cash and cash equivalents - January 1	5,952,287	5,406,849	789,431	12,148,567	16,031,124
Cash and cash equivalents - December 31	\$ 45,297,385	\$ 3,325,219	\$ 1,397,383	\$ 50,019,987	\$ 23,663,597
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 19,385,294	\$ (8,930,313)	\$ (637,139)	\$ 9,817,842	\$ (3,451,271)
Adjustments to Reconcile Operating Income					
Depreciation & amortization	20,604,451	10,923,276	932,145	32,459,872	4,283,811
Prior period adjustment	(9,343)	-	-	(9,343)	-
Change in Accounting Principle	(41,400,410)	(21,462,275)	(6,531,138)	(69,393,823)	(23,840,887)
Other revenues	2,522,068	1,782,319	24,963	4,329,350	1,548,617
Other expenses	-	-	-	-	-
Change in Assets: Decrease (Increase)					
Receivables, net of allowance	(16,824,134)	9,075,605	(66,430)	(7,814,959)	(603,481)
Deposits with fiscal agents	-	415	-	415	(13,873)
Inventories	(33,601)	(373,013)	13,381	(393,233)	168,356
Prepayments	5,500	-	-	5,500	64,454
Change in Deferred Outflows : Decrease (Increase)	(7,520,670)	(3,580,801)	(1,569,358)	(12,670,829)	(3,200,880)
Change in Liabilities: Increase (Decrease)					
Payables	52,847,987	18,598,525	8,465,489	79,912,001	24,601,897
Change in Deferred Inflows: Increase (Decrease)	544,352	1,289,945	-	1,834,297	2,391,402
Net Cash provided (used) by operating activities	\$ 30,121,494	\$ 7,323,683	\$ 631,913	\$ 38,077,090	\$ 1,948,145
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ 7,663,938	\$ -	\$ -	\$ 7,663,938	\$ 1,605,185

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

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

	Pension and Other Employee Benefit Plans	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Current Assets:			
Cash	\$ 4,560,245	\$ 11,618	\$ 4,563,158
Short term investments	-	-	1,558,325
Receivables, pension and other employee benefit plans:			
Interest and dividends	232,585	-	723
Taxes receivable	200,000	-	-
Other receivables	4,896	3,144	111,566
Due from other governments	-	-	39,428
Total Current Assets	4,997,726	14,762	6,273,200
Noncurrent Assets:			
Investments, noncurrent, at fair value:			
U.S. fixed income	55,951,818	-	-
International/global fixed income	12,781,408	-	-
U.S. equities	88,558,262	-	-
Real estate	18,008,159	-	-
International equities	45,490,549	-	-
Alternatives	76,069,796	-	-
Total investments	296,859,992	-	-
Capital assets:			
Software	477,000	-	-
Accumulated depreciation	(95,400)	-	-
Investments, noncurrent, all other funds:			
Total Noncurrent Assets	297,241,592	-	-
Total Assets	302,239,318	14,762	6,273,200
Total Assets plus Deferred Outflows of Resources	302,239,318	14,762	6,273,200
LIABILITIES			
Current Liabilities:			
Warrants payable	-	-	3,025,334
Accounts/vouchers payable	201,841	-	254,235
Due to other governments	-	-	2,959,789
Compensated absences	20,587	-	-
Other accrued liabilities	10,243	-	415
Other current liabilities	31,608	-	33,427
Total Current Liabilities	264,279	-	6,273,200
Noncurrent Liabilities:			
Total Noncurrent Liabilities	-	-	-
Total Liabilities	264,279	-	6,273,200
Total Liabilities plus Deferred Inflows of Resources	264,279	-	\$ 6,273,200
NET POSITION			
Net position held in trust for:			
Pension benefits	287,960,440	-	
Postemployment benefits	14,014,599	-	
Individuals, organizations, and other governments	-	14,762	
Total Net Position	\$ 301,975,039	\$ 14,762	

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

City of Spokane, Washington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended December 31, 2015

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 15,491,513	\$ -
Plan members	7,402,905	-
Intergovernmental revenue	264,454	-
Medicare retiree drug subsidy	224,149	-
Miscellaneous	9,161	-
Private contributions	-	8,504
Total Contributions	23,392,182	8,504
Investment Earnings:		
Net increase in fair value of investments	(8,492,200)	-
Interest and dividends	5,999,900	-
Total investment earnings (loss)	(2,492,300)	-
Less: Investment expense	(508,502)	-
Net investment earnings (loss)	(3,000,802)	-
Total Additions	20,391,380	8,504
DEDUCTIONS		
Pension Benefits	25,971,295	-
Medical and dental benefits	5,047,363	-
Pension refunds	637,822	-
Medical and dental administration	461,936	-
Administrative expenses	601,643	-
Total Deductions	32,720,059	-
Change in Fiduciary Net Position	(12,328,679)	8,504
Other Changes in Net Position		
Fund Balance - beginning	314,303,718	6,258
Change in Accounting Principle	-	-
Net Position - beginning	314,303,718	6,258
Net position - ending	\$ 301,975,039	\$ 14,762

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

Note 1

Summary of Significant Accounting Policies

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

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

Effective for fiscal year 2015 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, requires governmental employers with employees participating in defined benefit pension plans that are administered through trusts or equivalent arrangements to report their proportionate share of the net pension liability (or net assets, if the plan net position exceeds the total pension liability) on the face of their accrual based financial statements.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, addresses an issue regarding application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

A. REPORTING ENTITY

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

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

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

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

Community Colleges of Spokane

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

Spokane School District #81

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

Spokane Housing Authority

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

Spokane Transit Authority

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

Spokane Public Facilities District

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

Related Organizations

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

The Northeast Public Development Authority was created to invest in community outreach, infrastructure, economic development partnerships, and land development to create business and job opportunities within the northeast development target area. As of December 31, 2015, there were no financial transactions that are reported in the city's financial statements.

The University Public Development Authority (PDA) was established to cultivate an urban university district environment favorable to development. As of December 31, 2015, the PDA had \$1,402 in expenses.

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

Joint Ventures

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

Statement of Net Position

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

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

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

Statement of Activities

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

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

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

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

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

Fund Financial Statements

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

Major Governmental Funds

- **General Fund** is the city's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.
- The **Capital Improvements 2015 Park Fund** is used to account for the proceeds of UTGO 2015. In January 2015, the City issued \$65 million in unlimited tax general obligation bonds (UTGO Series 2015). The Bonds, which were approved by the voters on November 04, 2014, are being used to finance improvements to Riverfront Park and the Parks system.

Major Enterprise Funds

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

Operating and Nonoperating Revenues and Expenses

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

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

Nonmajor Governmental Funds

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

Nonmajor Proprietary Funds

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

Fiduciary Funds

The city reports the following fiduciary funds:

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

Spokane Regional Transportation Council Fund, the EMS Program Director Fund, the Transportation Benefit District Fund, the Salary Clearing Fund, the Claims Clearing Fund and the Fiscal Agency Fund.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due, and certain compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available expendable financial resources.

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

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

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

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

Excess of Expenditures Over Appropriations

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

Fund	Amount
Pension Contributions Fund	316,355
Real Estate Rental Fund	85
Intermodal Facility Operation Fund	27,578
Hotel/Motel Tax Fund	321,921
CDHS Operations Fund	183,154
Housing Stabilization Fund	19,493
Fire/EMS Fund	905,096
Special Assessment Fund	369
Kendall Yards TIF Fund	4,193
Total	1,778,244

Funds with Deficit Fund Balance/Net Position

The following funds reported deficit fund balance/net position as of December 31, 2015:

Fund	Amount
CDHS Operations Fund	100,180
WIA Youth Fund	253
Capital Improvements 1999 Fire Fund	950
Building Services Fund	3,113,393
Public Works Utilities Fund	2,343,600
Accounting Services Fund	6,589,243
Total	12,147,619

The net position deficit for the Building Services, Public Works Utilities, and Accounting Services Funds is due to the recognition of the net pension liability related to the City's Employee's Retirement System pursuant to GASB 68. It is unknown if/when the deficit will be recovered. The deficit for the CDHS Operations Fund is the result of the 2015 expenditures exceeding the budget authority by \$183,000. The prior year net position was not sufficient to absorb the additional expenditures.

D. BUDGETARY INFORMATION

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

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

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

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

Encumbrances

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

E. ASSETS, LIABILITIES, AND NET POSITION

1. Cash and Equivalents

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

2. Investments

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

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

3. Receivables

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

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

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

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

5. Inventories

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

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

6. Restricted Assets

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

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

Fund	Amount
Equity in Pooled Investments - Landfill Liability	10,354,955
Current portion of revenue bonds payable	6,454,931
Total	16,809,886

7. Other Noncurrent Assets

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

8. Unavailable Revenue

Unavailable revenue includes deferred inflows of resources such as property taxes and special assessment receivables, as well as revenues collected in advance for golf.

9. Capital Assets (see Note 4)

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

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

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

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

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

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

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

10. Compensated Absences

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

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

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

11. Long-Term Liabilities (See Note 9)

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

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a

consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding and pensions.

Deferred outflows on debt refunding result when the net carrying value of refunded debt exceeds its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. City contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the city relate to unavailable revenue, debt refunding, and pensions.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds balance sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

Deferred inflows on refunding result when the reacquisition price of the refunding debt exceeds the net carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

13. Governmental Fund Balance

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

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

- **Assigned.** Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. Because the city's CFO is identified by the City of Spokane's Municipal Code as the custodian of all city funds, it is the CFO's responsibility (or their delegate) to provide the proper record keeping services needed to appropriately segregate and identify all fund balances overseen by the custodian.
- **Unassigned.** Residual balances that are not constrained in the other classifications.

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

The detail of the governmental funds committed and assigned fund balances at December 31, 2015 are shown below:

Fund Balance	General Fund	UTGO 2015	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Interfund loans receivable	931,921	3,749,047	1,883,346	6,564,314
Inventories	-	-	1,626,352	1,626,352
Total Nonspendable Fund Balance	931,921	3,749,047	3,509,698	8,190,666
<i>Restricted for:</i>				
Capital projects	-	60,243,357	27,460,251	87,703,608
Debt service	-	-	7,890,426	7,890,426
Grants	612,166	-	41,150,188	41,762,354
Police/firefighters' pension	-	-	731,941	731,941
Other	-	-	65,224	65,224
Total Restricted Fund Balance	612,166	60,243,357	77,298,030	138,153,553
<i>Committed for:</i>				
Contingency reserve	14,523,436	-	-	14,523,436
Revenue stabilization	764,692	-	-	764,692
City facilities	-	-	128,036	128,036
Communication	-	-	4,181,778	4,181,778
Transportation	15,462	-	1,803,399	1,818,861
Public safety	-	-	3,577,963	3,577,963
Culture and recreation	-	-	4,158,013	4,158,013
Fire Protection	798,033	-	-	798,033
Benefits	-	-	42,579	42,579
Total Committed Fund Balance	16,101,623	-	13,891,768	29,993,391

Fund Balance	General Fund	UTGO 2015	Nonmajor Governmental Funds	Total
<i>Assigned for:</i>				
Library capital replacement	431,753	-	-	431,753
Human Services	1,260,676	-	-	1,260,676
Law enforcement	239,578	-	-	239,578
Fire protection	68,445	-	-	68,445
Encumbrances	1,644,857	-	6,944,911	8,589,768
Code enforcement	166,947	-	-	166,947
City facilities/improvement	106,554	-	-	106,554
Other purposes	(231,434)	-	(1,016,827)	(1,248,261)
Total Assigned Fund Balance	3,687,376	-	5,928,084	9,615,460
<i>Unassigned:</i>	19,967,264	-	-	19,967,264
Total	41,300,350	63,992,404	100,627,580	205,920,334

14. Budgetary Reserves/Control

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

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

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

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

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

1. Revenue shortfall results from revenue collections considered to be materially short of the amount budgeted, or the revenue shortfall results from projected baseline (existing) budgeted revenues for any ensuing year increasing by less than the assumed long-term revenue growth rate in the City's six-year general fund projection for the immediate year; and
2. The revenue shortfall is expected to persist through the end of the fiscal year; and

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

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

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

15. Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations which have not yet been fulfilled, cancelled, or discharged. Of the \$21.2 million in outstanding encumbrances at December 31, \$10.7 million was carried forward to the subsequent budget year as follows, and have been classified as assigned fund balance unless the fund's net position was already classified as restricted net position as follows:

Fund	Amount
General Fund	1,644,857
UTGO 2015	2,166,236
Nonmajor Governmental Funds	6,944,911
Total	10,756,004

F. Other Significant Accounting Policies

Budgeting, Accounting and Reporting System (BARS)

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

Note 2

Cash and Investments

Deposits and Investments

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

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the city would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. The City deposits funds only with State of Washington financial institutions approved as qualified public depositories by the Washington State Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool. The city's bank balance is insured by the FDIC up to \$250,000 and fully collateralized by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$250,000.

The city's investment policy requires that all investments be held by the city's third party safekeeping agent in the city's name. The City policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank. As of December 31, 2015, all of the \$463.9 million investments in U.S. agency debt obligations were registered, and held by its safekeeping agent in the city's name. Therefore, the city has no outstanding investments that were exposed to custodial credit risk.

Investment Policy

City Treasurer Investments

The city's investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the primary objectives of safety and liquidity. Core investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

Authority to manage the City's investment program is derived from Spokane Municipal Code 7.15 which delegates responsibility for the City's investment program to the City Investment Committee and daily management responsibility assigned to the City Treasurer. City investment decisions are governed by the "prudent person rule".

There were no significant investment policy changes during the reporting period.

Employees' Retirement System

The Spokane Employees' Retirement System's (SERS) investment management policy is set by the Board of Administration. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. SERS' investments are governed by the "prudent person rule". SERS investments are categorized by type to give an indication of the level of risk assumed by the System.

The Board of Administration for SERS maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with investment managers, a custodian, an actuarial firm, and an independent investment consultant. Investment manager contracts include specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board. The SERS' chief investment officer (CIO), who also serves as the Retirement Director, monitors the fund on a regular basis.

The Spokane Employees' Retirement System plan's policy regarding the allocation of invested assets is established, and may be amended, by a majority vote of the SERS Board. It is the policy of the SERS Board to pursue an investment strategy that meets the projected return requirements while minimizing volatility by diversifying the portfolio across a broad selection of distinct asset classes. The SERS investment policy limits the use of cash equivalents to meeting liquidity requirements and reviews rebalancing needs at least quarterly. There were no significant investment policy changes during the reporting period.

Firefighters' Pension System

The Firefighters' Trust Fund investments are restricted by RCW 41.16.04 and other RCWs as listed in RCW 41.16.040. Authorized investments include investment grade securities issued by the United States, state, municipal corporations, other public bodies, corporate bonds and other investments authorized by RCW. Per the Board's policy, all fixed income securities shall be investment grade or higher at the time of purchase. The overall portfolio average quality must be A+ or higher. There were no significant investment policy changes during the reporting period.

Police Pension System

The Police Pension System operates on a "pay as you go" basis with all funds provided by the City on an as needed basis. All assets are held in cash to pay monthly pension benefits and all other claims as they are received. There were no significant investment policy changes during the reporting period.

Investments

City Treasurer Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, bankers' acceptances, commercial paper, and repurchase agreements. The pension trust funds operate under different guidelines. City investments and those of the pension trust funds are all reported at fair market value. Below is a list of city investment limitations.

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio
US Treasury Securities	5 years	100%
Federal Agency Securities	5 years	90%
Individual Issues	5 years	10%
Individual Agency	5 years	40%
FDIC Guaranteed Senior Debt	5 years	30%
Individual Issuer	5 years	10%
Washington State Local Government Investment Pool	90 Days	100%
Non-Negotiable CDs (PDPC Qualified)	5 years	60%
Individual Issuing Bank	5 years	10%
PDPC Financial Institution Accounts	5 years	10%
Banker's Acceptables (must be A1/P1)	5 years	10%
Individual Banks	5 years	2%
Repurchase Agreements	5 years	25%
General Obligation Debt - State/Local	5 years	10%
City of Spokane Notes/Bonds	5 years	15%
Commerical Paper (must be A1/P1)	5 years	10%
Individual Issuer	5 years	2%

Employees' Retirement System

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

The following table shows the City and Pension cash and investments at December 31, 2015:

Deposit Type	Value
Reconciliation of Restricted/Unrestricted Cash and Investments:	
Cash	\$ 103,801,439
Petty Cash	367,821
Deposits with Fiscal Agents	1,234,129
Investments	463,974,984
Treasurer's Cash Invested	(55,540,118)
	513,838,255

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 is the sensitivity of its fair value to changes in the market interest rates.

City Treasurer Investments

According to its investment policy, the City manages its exposure to interest rate risk by “purchasing a combination of shorter-term and longer-term investments.” The city focuses on timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Employees’ Retirement System

Although the SERS Investment Policy does not specifically address interest rate risk, the System’s fixed income portfolio is professionally managed with an expected range of interest rate risk within the portfolio. In addition, the portfolio is closely monitored by the independent consultant and the staff.

Spokane Firefighters’ Trust Fund

The Fire investment policy targets that the average portfolio duration will be 2.5 to 5 years, with no duration limits on individual holdings.

Police Pension System

The Police investment policy requires all assets to be held in cash which does not have any interest rate risk.

The following table shows the City's invested assets and the Pension Fund assets by investment type, market value, segmented maturities and by the average effective duration as of December 31, 2015.

			Maturity			
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)
City Treasurer Investments Categorized						
US Government Agencies	441,432,474	-	264,626,440	176,806,034	-	1.60
Strip Bonds	22,542,510	-	18,098,960	4,443,550	-	2.91
Total investments categorized	463,974,984	-	282,725,400	181,249,584	-	
Investments not required to be categorized:						
Treasurer's Cash	(55,540,118)	(55,540,118)	-	-	-	-
Total Investments	408,434,866	(55,540,118)	282,725,400	181,249,584	-	
Pension Trust Funds						
Employees' Retirement System						
PIMCO Global Advantage Strategy Bond Instl	11,374,469	-	-	11,374,469	-	4.63
Vanguard Short Term Investment Grade 1	10,226,635	-	10,226,635	-	-	2.61
Hotchkis & Wiley High Yield Fund Class 1	10,035,716	-	-	10,035,716	-	4.64
American Beacon Flexible Bond Instl	9,678,670	-	9,678,670	-	-	1.40
Total investments categorized	41,315,490	-	19,905,305	21,410,185	-	
Investments not required to be categorized:						
Cash and cash equivalents	2,604,311	-	-	-	-	-
Equity securities	134,048,811	-	-	-	-	-
Real estate	18,008,159	-	-	-	-	-
Alternative investments	76,069,796	-	-	-	-	-
Total investments not categorized	230,731,077	-	-	-	-	
Total Investments	272,046,567	-	19,905,305	21,410,185	-	
Firefighters' Pension System						
US Government Treasuries	8,672,730	-	4,475,740	4,196,990	-	4.85
Government Pass Through	6,296,023	-	2,309,347	3,634,527	352,149	5.43
Government CMOs	1,636,884	-	-	669,178	967,706	12.87
Corporate Bonds/Notes	9,702,594	142,020	9,171,747	388,827	-	2.96
Asset Backed Securities	1,109,505	-	-	833,926	275,579	7.59
Total investments categorized	27,417,736	142,020	15,956,834	9,723,448	1,595,434	
Investments not required to be categorized:						
Cash and cash equivalents	1,525,538	-	-	-	-	-
Total investments not categorized	1,525,538	-	-	-	-	
Total Investments	28,943,274	142,020	15,956,834	9,723,448	1,595,434	
Police Pension System						
Investments not required to be categorized:						
Cash and cash equivalents	430,396	-	-	-	-	-
Total Investments	430,396	-	-	-	-	

Credit Risk

City Treasurer Investments

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the end of the year 2015 for each type of investment. AAA is the highest rating for bonds. The Bank Certificates of Deposit (CD) and Demand Deposit Accounts (DDA) are protected by the Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. All CD and DDA deposits not covered by FDIC are covered by the Washington State Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority established under the Revised Code of Washington (RCW) 39.58. It constitutes a fully insured or fully collateralized pool.

All securities registered in the City's name carry a minimum rating of Aa2 / AA from Moody's and/or Standard and Poor's respectively.

Employees' Retirement System

Although the SERS Investment Policy does not specifically address credit risk, this risk is mitigated by closely monitoring the credit quality ratings of its fixed income portfolios and by setting criteria for fixed income manager selection. SERS' fixed income assets are comprised of four mutual funds targeting different levels of credit risk.

Spokane Firefighters' Trust Fund

The Fire investment policy requires that all fixed income securities shall be investment grade or higher at the time of purchase. Specifically, fixed income securities shall not be rated lower than BBB- by Standard & Poor's rating agency unless the Plan grants specific written permission. The average quality for the overall portfolio must be A+ or higher.

Police Pension System

The Police investment policy requires that all assets are held in cash which bears no credit risk.

The following table shows the City's investment pool assets and the Pension Fund assets by credit rating and market value as of December 31, 2015.

		Investment Credit Rating					
Investment Type	Fair Value	AAA	AA	A	BBB	BB	Not Rated
Spokane Investment Pool							
US Government Agencies	441,432,474	-	441,432,474	-	-	-	-
Strip Bonds	22,542,510	-	22,542,510	-	-	-	-
Total	463,974,984	-	463,974,984	-	-	-	-
Employees' Retirement System							
PIMCO Global Advantage Strategy Bond Instl	11,374,469	-	-	-	-	-	11,374,469
Vanguard Short Term Investment Grade 1	10,226,635	-	10,226,635	-	-	-	-
Hotchkis & Wiley High Yield Fund Class 1	10,035,716	-	-	-	-	10,035,716	-
American Beacon Flexible Bond Instl	9,678,671	-	-	-	9,678,671	-	-
Total	41,315,491	-	10,226,635		9,678,671	10,035,716	11,374,469
Firefighters' Pension System							
US Government Treasuries	8,672,731	-	8,672,731	-	-	-	-
Mortgage Backed Securities							
Government Pass Through	6,296,023	-	6,296,023	-	-	-	-
Government CMOs	1,636,884	-	1,636,884	-	-	-	-
Corporate Bonds/Notes	9,702,594	-	909,085	4,172,166	4,573,343	48,000	-
Asset Backed Securities	1,109,505	-	977,256	132,249	-	-	-
Total	27,417,737	-	18,491,979	4,304,415	4,573,343	48,000	-

Concentration of Credit Risk

City Treasurer Investments

Concentration risk disclosure is required for all investments in any one issue that is 5% or more of the total of the City's investments. The following include Financial, State, or Municipal Government and Government Sponsored Agencies. The City did not have any holdings in organizations that represent five percent or more of the Governmental Activities net position.

Employees' Retirement System

SERS holdings in organizations that represent five percent or more of the Plan's fiduciary net position at December 31, 2015 were:

Organization	% of Net Position
City of Spokane Employees' Retirement System	
Vanguard Funds	12.2%
Hotchkis & Wiley	8.9%
Pacific Investment Management Co.	7.3%
MFS Investment Management	6.0%
Delaware Investments	5.5%
OrbiMed Advisors	5.4%
Evanston Capital Management	5.3%
Artisan Partners	5%

Firefighters' Pension System

The Firefighters' Trust Fund holdings in organizations that represent five percent or more of the Plan's fiduciary net position at December 31, 2015 were:

Organization	% of Net Position
City of Spokane Firefighter's Pension System	
US Treasury Notes	30.9%
Fannie Mae	22.2%

Police Pension System

The Police Pension System did not have any holdings in organizations that represent five percent or more of the System's fiduciary net position.

Foreign Currency Risk

City Treasurer Investments

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

The City investment policy requires all assets to be held in US Dollars. At December 31, 2015, there were no holdings exposed to foreign currency risk.

Employees' Retirement System

At December 31, 2015, 21.9% of the System's portfolio is invested in international mutual funds focusing on international markets and a limited partnership fund of funds, which primarily consist of foreign equities. The fair market value of the foreign funds is \$47.7 million as of December 31, 2015. Additionally, SERS has \$11.7 million invested in international fixed income. The SERS Investment Policy does not specifically address foreign currency risk; however, the System considers foreign currency risk during the selection and monitoring process of fund managers.

Spokane Firefighters' Trust Fund

The Fire investment policy does not allow investments in foreign issuances. At December 31, 2015, there were no holdings exposed to foreign currency risk.

Police Pension System

The investment policy requires all asset to be held in US Dollars. At December 31, 2015, there were no holdings exposed to foreign currency risk.

Note 3

Property Taxes

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

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

In governmental funds, property taxes are recorded as receivables when levied, offset by a deferred inflow of resources. Property taxes collected within 60 days after year-end are considered measurable and available and are recognized as revenues in the fund statements. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. Special levies approved by the voters are not subject to the limitations listed above. The following special levies exist:

- Emergency Medical Services
- General Obligation Bonds
- Park Bond (UTGO 2015 Bond)

The following table reflects the levy amounts and tax assessments that will be collected in the subsequent year: See additional information in Schedule 6 of the statistical section.

Property Tax Levy Type	Total Levy (in thousands)	Amount per \$1,000 Assessed Valuation
Regular	56.180	3.524273
EMS	7.846	.492211
Bond	3.427	.221988
Park Bond	2.334	.147968
Total	69.787	4.38644

Note 4

Capital Assets

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

Capital Assets	Jan 01, 2015 Beginning Balance	Increases	Decreases	Dec 31, 2015 Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 836,359,142	\$ 248,498	\$ -	\$ 836,607,640
Construction in progress	30,134,951	(270,325)	(593,752)	29,270,874
Total capital assets, not being depreciated	866,494,093			865,878,514
Capital assets, being depreciated:				
Buildings	87,305,227	590,305	(63,900)	87,831,632
Accumulated depreciation	(38,693,452)	(2,140,437)	3,901	(40,829,988)
Net buildings	48,611,775			47,001,644
Other improvements	83,361,937	3,064,393	(3,300)	86,423,030
Accumulated depreciation	(31,566,388)	(5,141,141)	963	(36,706,566)
Net other improvements	51,795,549			49,716,464
Machinery and equipment ¹	91,258,792	6,906,685	(6,423,296)	91,742,181
Accumulated depreciation	(62,785,965)	(7,300,259)	4,881,886	(65,204,338)
Net machinery and equipment	28,472,827			26,537,844
Infrastructure	1,020,871,665	23,737,798	(5,627,614)	1,038,981,849
Accumulated depreciation	(479,008,157)	(23,171,923)	4,199,327	(497,980,753)
Net infrastructure	541,863,508			541,001,096
Intangible assets	5,573,266	-	-	5,573,266
Accumulated depreciation	(1,332,079)	(347,120)	-	(1,679,199)
Net intangible assets	4,241,187			3,894,067
Total Capital assets, being depreciated (net)	674,984,846			668,151,114
Governmental Activities, Capital Assets (net)	\$ 1,541,478,939			\$ 1,534,029,628
¹ Beginning balance restated				

Capital Assets	Jan 01, 2015 Beginning Balance	Increases	Decreases	Dec 31, 2015 Ending Balance
BUSINESS-TYPE ACTIVITIES cont.				
Capital assets not being depreciated				
Land	\$ 14,230,000	\$ 1,326,671	\$ (1,020,848)	\$ 14,535,823
Construction in progress	50,594,396	41,319,787	(35,404,724)	56,509,459
Total capital assets, not being depreciated	64,824,396			71,045,282
Capital assets, being depreciated:				
Buildings	284,687,431	16,724,349	-	301,411,780
Accumulated depreciation	(176,774,771)	(8,765,578)	-	(185,540,349)
Net buildings	107,912,660			115,871,431
Other improvements	97,151,464	9,493,641	(6,751,192)	99,893,913
Accumulated depreciation	(36,169,870)	(6,478,540)	1,445	(42,646,965)
Net other improvements	60,981,594			57,246,948
Machinery and equipment	148,779,183	9,783,026	(7,558,112)	151,004,097
Accumulated depreciation	(83,539,310)	(8,967,455)	6,759,496	(85,747,269)
Net machinery and equipment	65,239,873			65,256,828
Infrastructure	487,761,626	38,342,403	(601,588)	525,502,441
Accumulated depreciation	(154,332,619)	(8,247,045)	302,750	(162,276,914)
Net infrastructure	333,429,007			363,225,527
Intangible assets	113,766	-	-	113,766
Accumulated amortization	(75,086)	(2,275)		(77,361)
Net intangible assets	38,680			36,405
Total Capital assets, being depreciated (net)	567,601,814			601,637,139
Business-Type Activities, Capital Assets (net)	\$ 632,426,210			\$ 672,682,421
DEPRECIATION				
Governmental Activities:				
General government				\$ 588,609
Judicial				690,247
Public safety				4,706,824
Transportation				23,624,569
Economic environment				675,813
Mental and physical health				161,903
Culture and recreation				7,445,472
Total Depreciation Expense - Governmental Activities				\$ 37,893,437
Business-Type Activities:				
Water/Sewer				\$ 20,604,451
Solid Waste				10,923,276
Other				932,145
Total Depreciation Expense - Business-Type Activities				\$ 32,459,872

Note 5

Pension Plans

A. GENERAL

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

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

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

B. PLAN DESCRIPTIONS

Spokane Employees' Retirement System

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

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

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

Management of SERS is vested in the SERS Board, which consists of seven members—three members are elected by active employee plan members, three members are appointed by the Spokane City Council, and one member (who may not be an elected official or employee of the city) is appointed by the other six members.

SERS provides retirement, death, and disability benefits. All employees hired on or before December 31, 2008 who participate in SERS are eligible for service retirement after completing five years of service if they are age 50 or older. Their retirement benefits are calculated by multiplying 2.15% by the member's highest consecutive two-year average salary times the member's years of creditable service, not to exceed 64.5%.

All employees hired on or after January 1, 2009 who participate in SERS are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 75 before they can receive a pension. In addition, the normal retirement age for the Plan is 62. Their retirement benefits are calculated by multiplying 2.0% of the member's highest consecutive two-year average salary by the member's years of creditable service, not to exceed 70.0%.

Employees hired prior to January 1, 2009, have a choice at retirement of choosing a 2.15% multiplier with a service cap of 30 years or a 2.0% multiplier with a service cap of 35 years. For either group, benefits may be reduced on an actuarially equivalent basis based on the retirement annuity option selected.

All employees hired on or after January 1, 2015 who participate in SERS are eligible for service retirement after completing seven years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 80 before they can receive a pension. In addition, the normal retirement age for the Plan is 65. Their retirement benefits are calculated by multiplying 2.0% of the member's highest

consecutive three-year average salary by the member's years of creditable service, not to exceed 70.0%. Benefits may be reduced on an actuarially equivalent basis based on the retirement annuity option selected.

The SERS Board of Administration considers issuing ad hoc adjustments for retiree benefits each year. The Board can grant an ad hoc adjustment if the GASB 67 funded ratio is 90% or greater and remains above 90% after the ad hoc adjustment is granted. The GASB 67 funded ratio is less than 90% as of December 31, 2015. The last ad hoc retiree adjustment occurred in 2001. Based on the current GASB 67 funded ratio, it will take continued significant favorable experience in the investment markets or a future increase in contribution levels to raise the funded ratio above the ad hoc threshold.

Firefighters' Pension System

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

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

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

The Board consists of five members—the Mayor or his/her designated representative who shall be an elected official of the City, the City Clerk, the Chairperson of finance of City Council and two regularly employed or retired firefighters. The two firefighters select a third eligible member who serves as an alternate in the event of the absence of one of the firefighters.

The Firefighters' Pension Board was established pursuant to the authority of RCW 41.16.020, and its powers, duties and responsibilities are established by state law.

Police Relief and Pension System

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

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

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

The Board consists of seven members—the Mayor or his/her designated representative who shall be an elected official of the City, the Council President, the City Clerk, the City Treasurer and three active or retired members of the Police Department.

The Police Pension Board was established pursuant to the authority of RCW 41.20.010 and its powers, duties and responsibilities are established by state law.

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

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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

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

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

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

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
More than 10 but less than 20 years	1.5%
More than 5 but less than 10 years	1.0%

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

LEOFF 1 and LEOFF 2 Allocation Method

LEOFF Plan 1 allocation percentages reported in the *Schedules of Employer and Nonemployer Allocations* are based on the total historical employer contributions to LEOFF Plan 1 (1971-2000) and LEOFF Plan 1 retirement benefit payments during fiscal year 2015.

LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000; see *RCW 41.26.080*. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

The city's allocation percentage for LEOFF Plan 1 is 0.961340% and for LEOFF Plan 2 is 2.001951%.

LEOFF 1

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2)

If there is no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

LEOFF 2

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

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

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

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

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

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

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

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

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

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

Plan Membership

Membership of each City administered plan as well as the LEOFF plans in which the city is a contributing employer, as of the last actuarial valuation, is as follows:

Plan	Inactive Members or Beneficiaries Entitled To But Not Receiving Benefits	Inactive Members Entitled To But Not Receiving Benefits	Active Plan Members	Total Members	Membership as of the latest actuarial valuation
Employees' Retirement System	1,424	97	1,300	2,821	12/31/2015
Firefighters' Pension System	285	-	2	287	12/31/2014
Police Pension System	223	-	2	225	12/31/2014
LEOFF 1 ¹	7,605	2	120	7,727	6/30/2014
LEOFF2 ¹	3,235	749	16,773	20,757	6/30/2014
Total	12,772	848	18,197	31,817	
¹ The Law Enforcement Officers' and Firefighters' (LEOFF) system is a contributory multi-employer cost sharing system operated by the State of Washington.					

Stand Alone Statements

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

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

For purposes of measuring the net pension liability, deferred outflows/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's pension plans and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, employee and employer contributions are recorded as revenues in the period in which payroll is due and benefit payments, including refunds of employee contributions, are recognized when due and payable. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Investments are reported at fair value.

Stand Alone Statements

The methods and assumptions required for financial reporting are the same methods and assumptions used in determining a plan's funding requirement and are described in the publicly available actuarial reports for the three pension plans administered by the City of Spokane. Those reports may be obtained by writing to the Retirement Department, City Hall, 808 West Spokane Falls Blvd, Suite 604, Spokane, Washington, 99201 or by calling (509) 625-6330.

Use of Estimates

Management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at year end, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. DEPOSITS AND INVESTMENTS

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested is presented in a table below for all plans.

SERS, Firefighters', and Police Pension

The long-term expected rate of return on pension plan investments was determined using statistical methods to determine the best-estimate future real rate of return (net of pension plan investment expense and inflation) based on long-term performance of the major asset classes. These returns are used to determine the estimated portfolio return based on the target asset allocation percentage of each asset class. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

LEOFF 1 & 2

The long-term expected rate of return on pension plan investments 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 (CMAs).

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 50-year measurement period.

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 this table.

The inflation component used to create the table is 2.20 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, is shown in the table below:

	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
Rate of return	-0.94%	1.01%	n/a	4.51%	4.64%

Targeted Rates of Return

Below are the targeted rates of return for the various pension plans as of December 31, 2015:

Long-term expected real rate of return	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
Global equity	7.0%	-	-	6.6%	6.6%
US fixed income	-	1.5%	-	1.7%	1.7%
Global fixed income	3.5%	-	-	-	-
Long/short and special opportunities	7.1%	-	-	-	-
Absolute return	4.0%	-	-	-	-
Real estate	6.6%	-	-	5.8%	5.8%
Private equity	0.0%	-	-	9.6%	9.6%
Commodities	6.5%	-	-	-	-
Tangible assets	0.0%	-	-	4.4%	4.4%
Cash	0.5%	-	-	-	-

Investments

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

No investments were made in loans to or leases with any Plan official, government employer official, or party related to a Plan official.

Spokane Employees' Retirement System

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

Investments of the pension trust funds are reported at fair market value. The Board of Administration maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with investment managers, a custodian, and an independent investment consultant. Investment manager contracts include specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board. The SERS' Retirement Director monitors the fund on a regular basis.

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

Firefighters' Pension System

The investment management policy is set by the Board of Administration. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. Investments are governed by the "prudent person rule." The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the System.

Investments of the trust funds are reported at fair market value. The Board of Administration maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with an investment manager, a custodian, and an independent investment consultant. The investment manager contract includes specific guidelines regarding the investments under management. All investments are held in custody. The independent investment consultant monitors the fund on a regular basis and provides annual reports to staff and the Board. The Retirement Director monitors the fund on a regular basis.

Police Relief and Pension System

The Police Pension System operates on a “pay as you go” basis with all funds provided by the City on an as needed basis. All assets are held in cash to pay monthly pension benefits and all other claims as they are received.

The target asset allocations as of December 31, 2015 were:

Target allocation	SERS	Firefighters'	Police	LEOFF 1	LEOFF 2
Global equity	50.0%	-	-	37.0%	37.0%
US fixed income	-	100.0%	-	20.0%	20.0%
Global fixed income	15.0%	-	-	-	-
Long/short and special opportunities	14.0%	-	-	-	-
Absolute return	10.0%	-	-	-	-
Real estate	6.0%	-	-	15.0%	15.0%
Private equity	-	-	-	23.0%	23.0%
Commodities	4.0%	-	-	-	-
Tangible assets	-	-	-	5.0%	5.0%
Cash	1.0%	-	100.0%	-	-
	100.0%	100.0%	100.0%	100.0%	100.0%

Methods Used to Value Investments

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

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

Investments are exposed to various risks, such as interest rate, market, credit, and regulatory risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect total net position and the amounts reported in the Statement of Fiduciary Net Position. See Note 2 for additional information related to interest rate and credit risk.

E. NET PENSION LIABILITY

The components of the net pension liability was calculated based on the actuarial reports dated December 31, 2015 for SERS, December 31, 2014 for Firefighters' and Police, and dated as of June 30, 2014 for LEOFF Plan 1 & 2, calculated in accordance with GASB 67/68, are shown in the table below.

Component	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
Total pension liability	491,393,125	21,432,740	9,951,967	42,346,335	176,269,163
Plan fiduciary net position	285,772,821	13,919,970	613,023	53,932,606	196,845,215
Net pension liability (asset)	205,620,304	7,512,770	9,338,944	(11,586,272)	(20,576,052)
Plan fiduciary net position as a % of total pension liability	58.16%	64.95%	6.16%	127.36%	111.67%
¹ Total pension liability (TPL) calculated by the Office of the State Actuary (OSA)					

F. ACTUARIAL ASSUMPTIONS

SERS, Firefighters & Police Pension Systems

The total net pension liability was determined by an actuarial evaluation using the following actuarial assumptions, applied to all periods in the measurement. For all three plans, the measurement date was December, 31, 2014. The valuation date was December 31, 2014 for SERS, the Firefighters', and Police Pension Systems.

Actuarial Assumptions for LEOFF 1 & 2

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' *Comprehensive Annual Financial Report* located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's *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.

	Employees' Retirement System	Firefighters' Pension System	Police Pension System	LEOFF 1	LEOFF 2
Valuation date	12/31/2014	12/31/2014	12/31/2014	6/30/2015	6/30/2015
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method					
Funding	Level % of pay over not more than 30 years	30-year, closed as of January 1, 2007	30-year, closed as of January 1, 2007	50 year	50 year
Remaining amortization years (closed)					
Asset valuation method	Expected value method with 5-year smoothing and 90-110% market value	Fair market value	Fair market value	Fair market value	Fair market value
Actuarial assumptions					
Investment rate of return	7.5%	4.0%	3.0%	7.50%	7.50%
Projected salary increases	0.0-10.0% ¹	2.5%	2.5%	3.75%	3.75%
Includes inflation at	3.0%	2.5%	2.5%	3.00%	3.00%
Cost of living adjustments	0.0%	Based upon 3.5% increase assumption when appropriate, for FPF benefits.	Based upon 3.5% increase assumption when appropriate, for PPF benefits.	N/A	N/A
		Based upon inflation assumption for some FPF benefits and all LEOFF benefits.	Based upon inflation assumption for some PPF benefits and all LEOFF benefits.		
Mortality	1994 Group Annuity Mortality Statistic Table	RP-2000 Mortality Tables	RP-2000 Mortality Tables	RP-2000 Mortality Tables, Combined Healthy Table and Combined Disabled Table	RP-2000 Mortality Tables, Combined Healthy Table and Combined Disabled Table
¹ 0% for members with more than 5 years of services in years 2013, 2014 and 2015. Otherwise, ranges from 3.0% for employees with 16 or more years of service to 10.0% for employees with less than two years of service					

G. DISCOUNT RATE

Spokane Employees' Retirement System

The blended discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current 8.25% contribution rate and that city contributions will be made at the same rate. GASB 67 requires the use of a blended discount rate to the extent future contributions are not projected to be sufficient to provide future benefits for the current closed group of plan participants. If that is the case, the expected long-term rate of return on plan assets (7.5%) is used for the period where assets are projected to be sufficient and the current yield on the 20-year AA municipal bonds (3.50% as of 12/31/15) is used thereafter.

Firefighters' Pension System

The discount rate used to measure the total pension liability was 4.0%. This discount rate was used for calculations pursuant to GASB 67 as the plan assets are not projected to be depleted prior to payment of the final benefits.

Police Relief and Pension System

The discount rate used to measure the total pension liability was 3.0%. This discount rate was used for calculations pursuant to GASB 67 as the plan assets are not projected to be depleted prior to payment of the final benefits.

LEOFF 1 & 2

The discount rate used to measure the total pension liability was 7.50 %. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.70 % long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.70 percent except LEOFF Plan 2, which has assumed 7.50 percent).

Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability calculated using the blended discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Net Pension (Asset) Liability Sensitivity to the Discount Rate				
Plan	1% Decrease	Current Discount Rate	1% Increase	Current Discount Rate
SERS	301,595,957	239,722,042	187,522,373	5.5%
Firefighters'	8,057,983	5,913,250	4,075,992	4.0%
Police	9,777,443	8,919,702	8,174,705	3.0%
LEOFF 1	(7,123,952)	(11,586,272)	(15,143,758)	7.5%
LEOFF 2	20,605,581	(20,576,052)	(51,566,794)	7.5%

H. PENSION EXPENSE

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

Pension Expense			
Description	SERS	Firefighters'	Police
Service Cost	11,405,611	-	-
Interest Cost	25,718,424	938,119	341,929
Benefit Changes	86,298	-	-
Experience loss (gain)	1,613,582	(229,073)	(115,606)
Change in Assumptions	-	-	-
Contributions-Employer	-	-	-
Contributions-Employee	(6,822,279)	-	-
Net Investment Income:	-	-	-
Expected Return on Investments	(20,706,601)	(541,489)	(22,324)
Investment (gain) loss expensed	1,241,740	49,279	4,465
Investment (gain) loss deferred	-	-	-
Benefits paid, including refunds of employee contributions	-	-	-
Administrative Expense	386,713	13,889	12,985
Other Changes	-	-	-
Total Pension Expense	12,923,488	230,725	221,449

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. City contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

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

Differences Between Projected and Actual Investment Earnings on Pension Plan Investments					
Year	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
2015	-	-	-	391,198	1,246,887
2016	(993,392)	(39,423)	(3,572)	391,198	1,246,887
2017	(993,392)	(39,423)	(3,572)	391,198	1,246,887
2018	(993,392)	(39,423)	(3,572)	391,198	1,246,887
2019	(993,392)	(39,424)	(3,572)	391,198	1,246,887
2020	(993,392)	(39,424)	(3,571)	-	-
Thereafter	-	-	-	-	-
Total Deferred (Inflows)/Outflows	(4,966,960)	(197,117)	(17,859)	1,955,990	6,234,435
Recognition Period (in years)	5.0	5.0	5.0	5.0	5.0

Differences Between Expected and Actual Experience					
Year	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
2015	-	-	-	-	(290,609)
2016	(1,472,903)	206,074	104,771	-	(290,609)
2017	(1,472,903)	206,074	104,771	-	(290,609)
2018	(1,472,903)	206,074	104,771	-	(290,609)
2019	(1,472,903)	206,074	104,771	-	(290,609)
2020	(1,472,903)	206,074	104,771	-	(290,609)
Thereafter	(9,529,687)	1,022,128	594,056	-	(58,122)
Total Deferred (Inflows)/Outflows	(16,894,202)	2,052,498	1,117,911	-	(1,801,776)
Recognition Period (in years)	11.47	9.96	10.67	-	6.2

Change of Assumptions					
Year	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
2015	-	-	-	-	(8,754)
2016	-	-	-	-	(8,754)
2017	-	-	-	-	(8,754)
2018	-	-	-	-	(8,754)
2019	-	-	-	-	(8,754)
2020	-	-	-	-	(8,754)
Thereafter	-	-	-	-	(1,749)
Total Deferred (Inflows)/Outflows	-	-	-	-	(54,273)
Recognition Period (in years)	-	-	-	-	6.2

City Contributions Subsequent to the Measurement Date					
Year	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
2015	-	-	-	-	-
2016	-	-	-	-	(1,620,399)
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
Thereafter	-	-	-	-	-
Total Deferred (Inflows)/Outflows	-	-	-	-	(1,620,399)
Recognition Period (in years)	-	-	-	-	1.0

Change in Proportion					
Year	SERS	Firefighters'	Police	LEOFF 1 ¹	LEOFF 2 ¹
2015	-	-	-	-	11,681
2016	-	-	-	-	11,681
2017	-	-	-	-	11,681
2018	-	-	-	-	11,681
2019	-	-	-	-	11,681
2020	-	-	-	-	11,681
Thereafter	-	-	-	-	2,334
Total Deferred (Inflows)/Outflows	-	-	-	-	72,420
Recognition Period (in years)	-	-	-	-	6.2

J. FUNDING POLICIES

The tables at the end of this section provide the actual contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of December 31, 2015.

Spokane Employees' Retirement System

Member and employer contribution rates are established by SMC Chapter 4.14. The funding of SERS is currently based on the entry age normal method. SERS funding objective is to achieve and maintain an actuarial liability funded status between 90% and 110%. Member contributions are 8.25% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 8.25% of eligible compensation for a combined total of 16.50%. It is contemplated that the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth. Combined contributions from employees and the employer were \$14.8 million in 2015 and \$13.6 million in 2014.

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

Firefighters' Pension System

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

The plan is partially funded with \$29.1 million in total net assets.

Police Relief and Pension System

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

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

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

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

Special funding situations reported in the state of Washington's DRS *Schedules of Employer and Nonemployer Allocations* consist of:

- LEOFF Plan 2 contributions from the state of Washington pursuant to RCW 41.26.725
- LEOFF Plan 1 allocation percentage for the state of Washington as described in Section B

LEOFF 1 and 2 include a special funding situation in which the state, as a non-employer contributing entity, has a legal obligation to make contribution directly to the plans (RCW 41.26.275). Although the state makes the contributions, individual employers are required to recognize pension expense and an equal amount of revenue for their share of the contributions.

As a result, a \$1.9 million pension expense and state share revenues has been recorded for Police/Fire related to LEOFF 2. LEOFF 1 is fully funded and there have been no contributions since 2000.

The required contribution rates expressed as a percentage of current-year covered payroll as of December 31, 2015 are as follows:

Actual Contribution Rates	Employer	Employee	State
Employees' Retirement System ¹	8.25%	8.25%	N/A
Firefighters' Pension System	0.16%	0.00%	N/A
Police Pension System	0.16%	0.00%	N/A
LEOFF 1 ²	0.18%	0.00%	N/A
LEOFF 2 ²	5.23%	8.41%	3.36%

¹The annual required contribution was developed to equal actual employer contributions, if possible. If not, the maximum allowable amortization period is used. Because the contribution rates are fixed, the effective amortization period for the unfunded accrued liability will change over time as actual experience emerges that is different from the actuarial assumptions.

²The employer rate includes the employer administrative expense fee currently set at 0.18%.

K. EMPLOYER CONTRIBUTIONS PAID

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

Actual Contributions	2015	2014	2013
Employees' Retirement System	7,398,945	6,822,279	6,715,376
Firefighters' Pension System	2,345,156	1,515,765	2,183,389
Police Pension System	734,966	837,804	845,079
LEOFF 1	928	1,294	1,304
LEOFF 2	3,169,951	3,048,949	2,740,733

L. CHANGES IN BENEFIT PROVISIONS

All employees hired on or after January 1, 2015 who participate in SERS are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 80 before they can draw a pension. Their retirement benefits are calculated by multiplying 2.0% of the member's highest consecutive three-year average salary times the member's years of creditable service, not to exceed 70.0%. The normal retirement age for these employees is 65, and vesting occurs after seven years of employment.

M. GASB 68 SUMMARY RECONCILIATION

	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Employees' Retirement System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2013)	458,559,034	280,901,101	177,657,933	-	-	-
Changes for the year:						
Service Cost	11,405,611	-	11,405,611	-	-	11,405,611
Interest Cost	25,718,424	-	25,718,424	-	-	25,718,424
Benefit Changes	86,298	-	86,298	-	-	86,298
Experience loss (gain)	18,507,784	-	18,507,784	16,894,202	-	1,613,582
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	6,822,279	(6,822,279)	-	-	-
Contributions-Employee	-	6,822,279	(6,822,279)	-	-	(6,822,279)
Net Investment Income:	-	14,497,901	(14,497,901)	-	-	-
Expected Return on Investments	-	-	-	-	-	(20,706,601)
Investment (gain) loss expensed	-	-	-	-	-	1,241,740
Investment (gain) loss deferred	-	-	-	4,966,960	-	-
Benefits paid, including refunds of employee contributions	(22,884,026)	(22,884,026)	-	-	-	-
Administrative Expense	-	(386,713)	386,713	-	-	386,713
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	-	-	-
Net Changes	32,834,091	4,871,720	27,962,371	21,861,162	-	12,923,488
Balance, End of Year (Dec 31, 2014)	491,393,125	285,772,821	205,620,304	21,861,162	-	12,923,488

	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Firefighters' Pension System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2013)	24,116,632	13,449,552	10,667,080	-	-	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	938,119	-	938,119	-	-	938,119
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(2,281,571)	-	(2,281,571)	-	2,052,498	(229,073)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	1,529,654	(1,529,654)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income:	-	295,093	(295,093)	-	-	-
Expected Return on Investments	-	-	-	-	-	(541,489)
Investment (gain) loss expensed	-	-	-	-	-	49,279
Investment (gain) loss deferred	-	-	-	197,117	-	-
Benefits paid, including refunds of employee contributions	(1,340,440)	(1,340,440)	-	-	-	-
Administrative Expense	-	(13,889)	13,889	-	-	13,889
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	-	-	-
Net Changes	(2,683,892)	470,418	(3,154,310)	197,117	2,052,498	230,725
Balance, End of Year (Dec 31, 2014)	21,432,740	13,919,970	7,512,770	197,117	2,052,498	230,725

	Increase (Decrease)					
	(a)	(b)	(a)-(b)			
Police Pension System	Total Pension Liability	Plan Net Position	Net Pension Liability (NPL)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Balance, Beginning of Year (Dec 31, 2013)	11,943,611	875,275	11,068,336	-	-	-
Changes for the year:						
Service Cost	-	-	-	-	-	-
Interest Cost	341,929	-	341,929	-	-	341,929
Benefit Changes	-	-	-	-	-	-
Experience loss (gain)	(1,233,517)	-	(1,233,517)	-	1,117,911	(115,606)
Change in Assumptions	-	-	-	-	-	-
Contributions-Employer	-	850,789	(850,789)	-	-	-
Contributions-Employee	-	-	-	-	-	-
Net Investment Income:	-	-	-	-	-	-
Expected Return on Investments	-	-	-	-	-	(22,324)
Investment (gain) loss expensed	-	-	-	-	-	4,465
Investment (gain) loss deferred	-	-	-	17,859	-	-
Benefits paid, including refunds of employee contributions	(1,100,056)	(1,100,056)	-	-	-	-
Administrative Expense	-	(12,985)	12,985	-	-	12,985
Other Changes	-	-	-	-	-	-
Amortization	-	-	-	-	-	-
Net Changes	(1,991,644)	(262,252)	(1,729,392)	17,859	1,117,911	221,449
Balance, End of Year (Dec 31, 2014)	9,951,967	613,023	9,338,944	17,859	1,117,911	221,449

Note 6

Other Post-Employment Benefits

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

Plan Description

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

The Police and Fire other post-employment benefit plans provide medical benefits to all firefighters and uniformed police who were hired prior to March 1, 1970. Police and firefighters hired on or after March 1, 1970, but before October 1, 1977, receive their pensions from the State of Washington and medical coverage from the City of Spokane. Police and firefighters hired after October 1, 1977, are not covered by these plans.

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

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

Funding Policy

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

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

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

Annual Required Contribution

Firefighters' Pension System	2015	2014	2013
1 Annual normal cost, beginning of year	\$ 3,023	\$ 80,932	\$ 80,932
2 Amortization of UAAL, beginning of year	2,667,814	3,166,015	3,166,015
3 Interest through end of year $=((1+2)*i)$	106,833	129,878	129,878
4 Annual required contribution $=(1+2+3)$	2,777,670	3,376,825	3,376,825
5 Interest on net OPEB obligation	-	-	-
6 Adjustment to annual required contribution	-	-	-
7 Annual OPEB cost $=(4+5-6)$	2,777,670	3,376,825	3,376,825
8 Employer contributions	(2,777,670)	(3,376,825)	(3,376,825)
9 Change in net OPEB obligation $=(7+8)$	-	-	-
10 Net OPEB obligation at beginning of year	-	-	-
11 Net OPEB obligation at end of year $=(9+10)$	-	-	-
12 Percent age funded $=(8/7)$	100%	100%	100%

Police Pension System	2015	2014	2013
1 Annual normal cost, beginning of year	\$ 6,845	\$ 56,649	\$ 56,649
2 Amortization of UAAL, beginning of year	3,822,413	4,196,207	4,196,207
3 Interest through end of year $=((1+2)*i)$	114,878	127,586	127,586
4 Annual required contribution $=(1+2+3)$	3,944,136	4,380,442	4,380,442
5 Interest on net OPEB obligation	393,330	363,708	315,814
6 Adjustment to annual required contribution	(798,719)	(715,809)	(603,495)
7 Annual OPEB cost $=(4+5-6)$	3,538,747	4,028,341	4,092,761
8 Employer contributions	(2,732,536)	(3,040,948)	(2,496,290)
9 Change in net OPEB obligation $=(7+8)$	806,211	987,393	1,596,471
10 Net OPEB obligation at beginning of year	13,110,989	12,123,596	10,527,125
11 Net OPEB obligation at end of year $=(9+10)$	13,917,200	13,110,989	12,123,596
12 Percent age funded $=(8/7)$	77%	75%	61%

Actuarial Information and Significant Actuarial Assumptions

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

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

Note 7

Risk Management

The City is self-insured for Unemployment Insurance, Workers' Compensation, General Liability, and Medical/Dental benefits. Unrestricted net position (assets less liabilities) in the self-insurance funds as of December 31, 2015 and 2014 are as follows:

Fund	2015	2014
Risk Management	\$ 2,762,372	\$ 2,298,333
Workers' Compensation	2,078,734	4,175,918
Unemployment Insurance	963,104	884,291
Employee Benefits	16,438,815	16,405,196
	\$ 22,243,025	\$ 23,763,738

Under the city's self-insurance program, the following commercial insurance policies are purchased to protect the city from claims which exceed anticipated funding levels. In 2013, one workers' compensation and one general liability claim exceeded the SIR, and in 2015 two general liability claims exceeded the SIR.

Policy Type	Deductible	Coverage Limits	Description
Excess Workers' Compensation & Employer's Liability - All Employees	\$ 1,000,000	Statutory Limit	Protects the city from unanticipated levels of workers' compensation
Boiler & Machinery	25,000	100,000,000	Protects the city from loss due to damage to buildings and contents from boilers and machinery
Property (Wastewater Treatment Facility)	1,000,000	279,800,000	Protects the city from loss by fire and other extended coverages
Property (Upriver Dam)	1,000,000	100,000,000	Protects the city from loss by fire and other extended coverages
Property (Waste to Energy)	1,000,000	100,000,000	Protects the city from loss by fire and other extended coverages
Property (Other than WWTP, Dam & WTE)	1,000,000	100,000,000	Protects the city from loss by fire and other extended coverages
Medical Stop Loss	425,000	Unlimited	Stop-loss coverage protects the city from excessive individual claims
Excess Liability Coverage	1,500,000	15,000,000	Protects the city from excessive individual losses
Inland Marine - Fire Truck Physical Damage	5% Value 10,000 min 50,000 max	20,848,272	Protects the City from loss due to damaged fire trucks
Crime & Fidelity, Employee Theft, Forgery or Alteration, Funds Transfer Fraud	50,000	5,000,000	Protect the city from loss due to employee dishonesty and other extended coverages

Claims Liability Valuation

In 2015, the City conducted an actuarial review to determine the estimated claims liability for the Risk Management and Workers' Compensation funds. The estimated loss reserves for the Risk Management fund totaled \$7.6 million and the Workers' Compensation fund totaled \$8.3 million. The Employee Benefits fund reported IBNR (incurred but not reported) claims of \$2.0 million for 2015. Starting in 2014, the City became self-insured for all medical plans. Claims expenses are recognized in the Employee Benefits and the

Unemployment Insurance funds for claims processed through the fiscal year end. No IBNR claims are reported in the Unemployment Insurance Fund. All self-insured funds are responsible for collecting interfund premiums and for paying claims settlements. Interfund premiums are assessed on the basis of exposure and claims experience and are reported as revenues and expenses.

Changes in the claims liability from fiscal year ended December 31, 2014 to December 31, 2015 are shown in the following table:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>
December 31, 2014:			
Unpaid claims, beginning of fiscal year	\$ 6,811	\$ 8,561	\$ 1,981
Incurred claims	1,018	1,466	24,957
Adjustments for prior claims	1,015	1,450	(1,172)
Claim payments	(2,082)	(3,614)	(22,971)
Unpaid claims, December 31, 2014	<u>\$ 6,762</u>	<u>\$ 7,863</u>	<u>\$ 2,795</u>
	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Health Benefits</u>
December 31, 2015:			
Unpaid claims, beginning of fiscal year	\$ 6,762	\$ 7,863	\$ 2,795
Incurred claims	2,590	2,165	24,402
Adjustments for prior claims	1,132	1,711	1,173
Claim payments	(2,916)	(3,488)	(26,288)
Unpaid claims, December 31, 2015	<u>\$ 7,568</u>	<u>\$ 8,251</u>	<u>\$ 2,082</u>

Note 8

Short-Term Debt

At December 31, 2015, the City had no local improvement district (LID) progress warrants outstanding. As construction is done on LID projects, progress warrants are issued to contractors. The city treasurer disburses funds to the contractors and carries the progress warrants as treasurer's cash investments. When special assessment bonds are sold, the progress warrants are redeemed. Progress warrants issued during 2015 had interest rates ranging from 2.29% to 4.665%. A summary of progress warrant activity for 2015 follows:

Progress Warrants	2015
Balance January 1	\$ 527,011
Progress warrants issued	108,179
Progress warrants redeemed	(635,190)
Balance December 31	<u>\$ -</u>

Note 9

Long-Term Liabilities

A. Long Term Debt

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

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

General obligation bonds currently outstanding at December 31, 2015 are as follows:

Name of Issuance	Purpose	Interest Rate	Original Issue Amount	Debt Outstanding
LTGO 2003B	Street projects	2.00% - 5.25%	14,755,000	-
UTGO 2004 ¹	Street maintenance and road improvement/construction expenses for major arterials, public safety corridors, and residential street repair	3.00% - 5.25%	24,151,000	
LTGO 2005A	Acquisition and construction of and improvements to Riverfront Park, including the Spokane Falls Gondola Sky Ride, construction of the Iron Bridge project, and refund LTGO 1999 bonds	5.00%	5,720,000	5,720,000
LTGO 2005B	Payment in full on an outstanding Taxable Bond Anticipation Note and other permitted costs associated with the settlement and litigation related to the Parking Facility	4.34% - 5.34%	25,625,000	16,065,000
UTGO 2005 ²	Refund UTGO 1999A bonds	3.00% - 4.00%	8,880,000	-
UTGO 2007 ¹	Street maintenance and road improvement/construction expenses for major arterials, public safety corridors, and residential street repair, Refund callable portions of the outstanding 1997 Refunded and 1999B Refunded bonds	4.00% - 5.00%	58,090,000	-
UTGO 2008	Finance the development, construction, or improvement of city park and recreational facilities at the Joe Albi Stadium site, and to fund one or more capital reserves to finance future capital improvements to facilities	3.50% - 5.00%	42,900,000	31,300,000
UTGO 2010A/B	Acquisition, construction, and installation of repairs and improvements to certain streets, including major arterials, public safety corridors, and residential streets; and helping pave unpaved city streets	2.00% - 5.713%	45,070,000	34,220,000
UTGO 2015	Finance improvements to Riverfront Park and the Parks system	1.65% - 2.97%	60,070,000	60,070,000
LTGO 2015 Refunding	Refund UTGO 2004 and UTGO 2007 Refunding bonds	2.45%-3.20%	48,305,000	48,305,000
Total general obligation bonds			\$ 333,566,000	\$ 195,680,000

At December 31, 2015, the City has \$8.1 million available in debt service funds to service the general bonded debt. The annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities			
Year	Principal	Interest	Total
2016	5,415,000	8,251,971	13,666,971
2017	5,650,000	8,024,028	13,674,028
2018	5,860,000	7,791,669	13,651,669
2019	6,085,000	7,537,834	13,622,834
2020	6,320,000	7,271,469	13,591,469
2021-2025	30,525,000	32,037,324	62,562,324
2026-2030	72,406,287	21,684,033	94,090,319
2031-2035	62,965,000	5,762,828	68,727,828
Total	\$ 195,226,287	\$ 98,361,156	\$ 293,587,443

Business-Type Activities			
Year	Principal	Interest	Total
2016	-	45,188	45,188
2017	-	45,188	45,188
2018	-	45,188	45,188
2019	-	45,188	45,188
2020	-	45,188	45,188
2021-2025	-	225,940	225,940
2026-2030	453,713	178,461	632,174
2031-2035	-	-	-
Total	\$ 453,713	\$ 630,341	\$ 1,084,054

Debt Refundings

When advantageous and permitted by statute and bond covenants, the city authorizes the refunding of outstanding bonds. When the city refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

On February 11, 2015, the city issued \$48.3 million of limited tax general obligation refunding bonds with an average interest rate of 3.4 percent to refund \$45.5 million of limited tax general obligation bonds with an average interest rate of 4.8 percent. The refunding resulted in a \$2.8 million gross debt service savings over the next 7 years and a net present value savings of \$21,440.

Government Loans

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

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
Public Works Trust Fund Loans	Various street improvements	.50% - 3.00%	\$ 1,178,973
State Community Development Loans	Various community development projects	0.00%	-
Public Works Trust Fund Loans	Various Water/Wastewater System improvements	.50% - 3.00%	8,494,303
State Revolving Loans	Various Water/Wastewater System improvements	1.50% - 2.90%	27,455,869
Total government and other loans			\$ 37,129,144

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

Governmental Activities			
Year	Principal	Interest	Total
2016	112,917	4,270	117,187
2017	112,917	3,705	116,622
2018	112,917	3,141	116,058
2019	112,917	2,576	115,493
2020	112,917		112,917
2021-2025	289,388	5,223	294,610
2026-2030	-	-	-
2031-2035	-	-	-
2036-2040	-	-	-
2041-2043	325,000	-	325,000
Total	\$ 1,178,973	\$ 18,914	\$ 1,197,887

Business-Type Activities			
Year	Principal	Interest	Total
2016	1,270,945	182,666	1,453,611
2017	2,044,845	480,476	2,525,321
2018	2,047,688	748,010	2,795,698
2019	1,785,291	708,825	2,494,116
2020	1,816,865	673,548	2,490,413
2021-2025	9,102,738	2,812,458	11,915,196
2026-2030	7,725,986	1,857,974	9,583,960
2031-2035	7,701,648	853,746	8,555,394
2036-2040	2,454,167	75,054	2,529,221
Total	\$ 35,950,172	\$ 8,392,757	\$ 44,342,931

Special Assessment Bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2015, the amount of CLID Special Assessment delinquency equals \$379,148.

Name of Issuance	Issue Date	Maturity	Interest Rate	Debt Outstanding	Due Within One Year
CLID 213	7/1/2004	7/1/2026	5.00%	50,000	16,000
CLID 214	8/15/2005	8/15/2015	4.376%	15,000	15,000
CLID 215	8/1/2006	8/1/2016	4.50%	50,000	45,000
CLID 216	8/15/2007	8/15/2017	4.60%	135,000	61,667
Total special assessment bonds				\$ 250,000	\$ 137,667

Revenue Bonds

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

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

Revenue bonds outstanding at year-end are as follows:

Name of Issuance	Purpose	Interest Rate	Debt Outstanding
Water and Wastewater System Revenue Bonds 2014	Finance capital improvements that will improve the health of the Spokane River, protect the region's sole-source drinking water aquifer, and make other necessary improvements to the Water and Wastewater System	3.00% - 5.00%	\$ 175,600,000
Total revenue bonds			\$ 175,600,000

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

Business-Type Activities			
Year	Principal	Interest	Total
2016	5,920,000	7,628,528	13,548,528
2017	6,215,000	7,332,528	13,547,528
2018	6,530,000	7,021,778	13,551,778
2019	6,855,000	6,695,278	13,550,278
2020	7,200,000	6,352,528	13,552,528
2021-2025	41,755,000	25,990,885	67,745,885
2026-2030	51,730,000	16,023,180	67,753,180
2031-2035	49,395,000	4,809,375	54,204,375
Total	\$ 175,600,000	\$ 81,854,080	\$ 257,454,080

B. Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

Long-Term Liabilities	Outstanding 12/31/14	Additions	Reductions	Outstanding 12/31/15	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation bonds ¹	137,956,287	108,375,000	(51,105,000)	195,226,287	5,415,000
Deferred amounts:					
Bond premiums at issuance	3,269,087	5,451,917	(2,189,370)	6,531,634	306,530
Bond premiums on refunding	44,339	2,056,006	(44,339)	2,056,006	-
Special assessment debt with governmental commitment	480,000	-	(230,000)	250,000	137,667
Government loans	1,291,890	-	(112,917)	1,178,973	112,917
Revitalization Areas ²	1,383,384	2,279,259	(91,912)	3,570,731	98,000
Claims and judgments	17,419,933	480,855	-	17,900,788	17,900,788
OPEB (other postemployment benefit) liability	13,110,989	806,211	-	13,917,200	-
Net pension liability	25,627,027	113,686,741	-	139,313,768	-
Compensated absences	17,406,481	503,579	(117,515)	17,792,545	1,421,286
Total long term liabilities - governmental activities	217,989,417	233,639,568	(53,891,053)	397,737,932	25,392,188
¹ In January 2016, the City issued \$16.1 million in LTGO (limited tax general obligation) Refunding Bonds 2016, which are being used to refund LTGO 2005B bonds.					
² See Note 13 for more information on the purchase and sale agreements related to the revitalization areas.					
BUSINESS-TYPE ACTIVITIES					
Bonds:					
General obligation bonds	453,713	-	-	453,713	-
Revenue bonds	181,225,000	-	(5,625,000)	175,600,000	5,920,000
Deferred amounts:					
Bond premiums at issuance	19,711,699	-	(269,381)	19,442,318	534,931
Bond premiums on refunding	-	-	-	-	-
Total bonds payable	201,390,412	-	(5,894,381)	195,496,031	6,454,931
Government loans	20,345,446	17,062,742	(1,458,016)	35,950,172	1,270,945
Net pension liability	-	82,683,766	-	82,683,766	-
Landfill liabilities:					
Landfill closure	1,756,909	-	(424,563)	1,332,346	-
Post closure monitoring	11,281,689	-	(1,067,594)	10,214,095	-
Capital lease payable	-	215,088	(43,096)	171,992	40,772
Compensated absences	4,869,397	547,715	(512,055)	4,905,057	310,139
Total long term liabilities - business-type activities	239,643,852	100,509,311	(9,399,705)	330,753,458	8,076,788

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the internal service funds are included as part of the governmental activities as follows:

Claims and judgments payable	\$17.9 million
Net pension liability	\$25.4 million
Compensated absences	\$1.7 million

Legal Debt Margin

For purposes of determining the legal debt margin, the assessed valuation of the City for year 2015 is \$15,940 million. Under State of Washington statutes, general obligation indebtedness pursuant to a vote of the electorate is limited to 2.5% of actual value of taxable property located within the City. Indebtedness without a vote of the people is limited to 1.5% of actual value subject to the limitation that total general purpose indebtedness may not exceed 2.5% of total valuation. There is a 2.5% limitation each for utility purposes and open space and park facilities purposes.

Legal Debt Margin	Total
General purpose voted and non-voted debt ¹	\$ 301,267,539
Utility voted debt - 2.5%	398,521,483
Open space and park facilities voted debt - 2.5%	307,151,483
Total remaining debt capacity	\$ 1,006,940,505
¹ Includes \$169.5 million debt capacity for non-voted debt	

C. Leases

Operating Leases

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

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

The City has the option of renewing the lease for four consecutive five-year periods subject to certain conditions. The lease ends April 30, 2018. Lease payments for the year ended December 31, 2015 amounted to \$136,755.

The City entered into long term lease contracts with Xerox Corporation for two printers and Copiers Northwest for copy machines. Lease payments for the year ended December 31, 2015 were \$187,106.

Future Years Lease Payments	Total
2016	364,787
2017	366,237
2018	276,567
2019	232,536
Total minimum future rental payments	\$ 1,240,126

Capital Lease

The City entered into a long term capital lease agreement of \$215,088 with TCF Equipment Finance for the purchase of Kubota Tractor for use at the City's golf courses. The lease, which will be repaid by the Golf Fund, provides for semi-annual payments with an interest rate of 3.498%. Lease payments for the year ended December 31, 2015 were \$ 43,096.

The capital lease debt outstanding at December 31, 2015 is \$171,992. The annual debt service requirements are as follows:

Business-Type Activities			
Year	Principal	Interest	Total
2016	40,772	5,704	46,476
2017	42,221	4,255	46,476
2018	43,722	2,754	46,476
2019	45,277	1,200	46,477
Total	\$ 171,992	\$ 13,913	\$ 185,905

Note 10

Interfund Balance and Transfers

A. Interfund Balances

Due to and from other funds result from goods issued, work performed or services rendered to or for the benefit of another fund of the same government. Interfund balances at December 31, 2015 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	5,872,342	1,313,127
Water/Sewer Fund	2,110,814	6,963,022
Solid Waste Fund	1,087,982	2,181,519
Non-major Governmental Funds	3,826,944	3,844,674
Non-major Enterprise Funds	73,352	187,250
Internal Service Funds	4,212,574	2,694,416
Total Government Wide	17,184,008	17,184,008

B. Interfund Loans

Interfund loans are loans between funds for capital or cash flow purposes. Interfund loans outstanding at December 31, 2015 are as follows:

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool¹
Riverfront Conservation Area	1,824,960
Gardner Building	1,410,451
Alki Building	2,179,799
University District Gateway	3,450,101
West Plains Fire Station	753,973
Public Safety Capital	10,508,614
Library RFID	455,082
Division Gateway	300,000
Nelson Service Center	5,000,000

Loan To:	Loan From:
Property Acquisition Fund	Spokane Investment Pool ¹
CLID 217	168,147
CLID 218	74,106
CLID 219	185,181
CLID 220	91,519
CLID 221	164,981
CLID 222	844,715
CLID 223	558,214
CLID 224A	306,902
Less Agency Fund Portion	(110,525)
Total	28,166,220

¹The Spokane Investment Pool is allowed to invest up to 15% of its balance in City of Spokane bonds. Loans from this pool provide funds with which to pay the cost of acquiring property for public purposes.

Loan To (Various):	Loan From (General Fund) ¹ :
Misc Grant Fund	17,653
Human Services Grant Fund	830,256
Community Development / Human Services Operations Fund	300,000
Community Development Block Grant Fund	114,268
HOME Program Fund	196,857
Total	1,459,034

¹Resolution 2014-0080 authorizes grant invoices to be paid out of the General Fund before requesting the grant funding from the grantor, and replenishing the General Fund within 30 days.

² Resolution 2014-0120 authorizes the establishment of a working cash balance that is necessary to facilitate compliance with the federal grant requirements related to cash management.

C. Interfund Transfers

Interfund transfers represents a sharing of resources between funds. At the fund level, these transfers increase or decrease individual fund resources, but they do not affect the City's total resources. Interfund transfers for the year ending December 31, 2015 are as follows:

Transfer From:	Transfer To:					
Fund	General Fund	Non-major Governmental Funds	Solid Waste Fund	Non-major Enterprise Funds	Internal Service Funds	Total
General Fund	-	24,063,589	-	25,000	2,551,996	26,640,585
Water/Sewer Fund	-	7,700,000	-	-	164,905	7,864,905
Solid Waste Fund	-	-	-	-	460	460
Non-major Governmental Funds	163,420	9,992,605	466,456	249,000	1,085,599	11,957,080
Non-major Enterprise Funds	-	22,690	-	-	6,972	29,662
Internal Service Funds	300,000	7,716	-	-	66,007	373,723
Total	463,420	41,786,600	466,456	274,000	3,875,939	46,866,415

The General Fund transfers were provided to various governmental funds to support day-to-day operations. The water/sewer funds were transferred mainly to reimburse the arterial streetfund for services it provided on construction projects. Other funds made debt service transfers to pay for the benefits they received in the financing of projects and equipment done on their behalf. Transfers to the information technology fund are the result of transferring custody of computers and other peripheral equipment purchased by other city departments.

Note 11

Joint Ventures

The City participates in two joint ventures. These are the Spokane International Airport and the Spokane Regional Transportation Council (SRTC). The City does not contribute any monies toward the operation of the Spokane International Airport. General fund monies are contributed to support the Spokane Regional Transportation Council. In 2015, \$42,460 was paid to the Spokane Regional Transportation Council.

Spokane International Airport is jointly operated by the City and County of Spokane through a joint operating agreement in accordance with the "Airport Joint Operating Agreement"; which was last amended February 2, 2010. This agreement is pursuant to RCW 14.08.200. The unaudited summary below is for the fiscal year ended December 31, 2015 for the Spokane International Airport.

Spokane International Airport	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	\$ 290,259,125
Total Revenues	\$ 39,435,548
Total Capital Contributions	8,827,247
Total Expenses	(43,072,116)
Net Increase in Net Position	\$ 5,190,679
Net Position, Beginning of Year ¹	\$ 285,068,446
Net Increase in Net Position	5,190,679
Net Position, End of Year	\$ 290,259,125
¹ Beginning Balance Restated due to GASB 68 adjustment	

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

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

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

The unaudited summary below is for the fiscal year ended December 31, 2015. The Spokane Regional Transportation Council is audited by the Office of State Auditor.

Spokane Regional Transportation Council	2015
Total Assets	\$ 448,452
Total Liabilities	(448,452)
Total Net Position	\$ -
Total Revenues	\$ 1,588,233
Total Expenses	(1,516,560)
Net Increase in Net Position	\$ 71,673

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, 221 W. First Ave., Suite 310, Spokane, WA, 99201.

Note 12

Enterprise Funds

A. Water/Sewer Fund

Property, Plant and Equipment

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

Contracts Receivable and Due From Other Governmental Units

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

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

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

Spokane County Utility Tax Payments

In October 2003, Spokane County began withholding the portion of its wastewater bill it computed as representing municipal taxes. In November 2003, Spokane County commenced a lawsuit to determine if the municipal taxes should be included as an expense in the calculation of the wastewater treatment rate for Spokane County. In January 2007, an agreement was reached in mediation between the City and Spokane County, which was approved by the Spokane City Council on April 30, 2007.

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

Water and Wastewater System Revenue Bonds (Green Bonds)

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

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

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

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

B. Solid Waste Fund

On November 17, 2014 the Interlocal Agreement between Spokane County and the City of Spokane that formed the Spokane Regional Solid Waste System (a department within the City of Spokane) terminated. The Spokane Valley and North County Transfer Stations were sold to Spokane County and a new Interlocal Agreement between Spokane County and the City of Spokane was executed whereby Spokane County would deliver all solid waste received at their newly acquired Spokane Valley and North County Transfer Stations to the City of Spokane's Waste to Energy Facility for final disposal.

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

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

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

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

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

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

Landfill Closure

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

The City started closing the Northside Landfill in 1991. The closure was completed during 1993 for a total cost of \$19.4 million. These closure costs were paid using approximately \$3.1 million of previously reserved cash and \$16.3 million of the Spokane Regional Solid Waste Management System Revenue Bond proceeds. The City Council and Spokane County Board of County Commissioners approved an interlocal agreement which required that tipping fees established by the Spokane Regional Solid Waste Management System shall have a landfill closure component which will provide a source of revenue to the City and the County for the payment of pre-existing landfill costs. The City's portion of the closure component covers the debt service requirements on \$16.3 million of revenue bond proceeds. A Northside landfill closure liability was recorded as a deferred cost on January 1, 1988 and was charged to expense over a 20 year period as these amounts were recovered through rates charged to customers. The deferred cost was fully amortized during 2007.

Northside Regional Landfill

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

City recognizes a portion of these costs in each operating period based on landfill capacity used as of the balance sheet date.

The \$1.2 million reported as landfill closure liability at December 31, 2015 represents the cumulative amount reported based on the use of 63 percent of the estimated capacity of Phase 1. This landfill has a remaining useful life of approximately 10 years. The City will recognize the remaining estimated cost of closure of \$1 million as the remaining estimated capacity (Phase 1) is filled. All amounts recognized are based on what it would cost to perform all closure and postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

As of December 31, 2015, the City held \$1.8 million of restricted cash, which is reserved for the closure of the Northside Regional Landfill (Phase 1).

Postclosure Landfill Monitoring

The \$11.5 million reported as landfill postclosure care liability at December 31, 2015 represents the cumulative amount required to monitor and maintain the closed portion of the Northside landfill, the open portion (Phase 1) of the Northside Regional landfill and the closed Southside landfill for the next 20-30 years. All amounts recognized are based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has restricted \$2.6 million in assets related to the post-closure monitoring of the closed portion of the Northside landfill, and \$2.5 million for post-closure monitoring of the open portion of the Northside landfill. No assets have been restricted for future costs of \$ 1.5 million for the Southside landfill based on the City's interpretation of the applicability of Washington Administrative Code 173-304-467.

D. Golf Fund

Revenue Bond Covenants

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

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

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

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

Note 13

Commitments & Contingencies

A. Disability Supplemental Pensions

The Department of Labor and Industries made a determination that six employees of the City were totally disabled as the result of industrial injuries. This determination required the employees to be placed on the pension rolls of the Department of Labor and Industries supplemental pension fund, which provides monthly pension benefits. Since the City is self-insured, the City is responsible for funding these pension benefits. The City has deposited \$667,953 with the State of Washington which represents the full present value of the pensions as of June 30, 2015. The State will invest this amount on the City's behalf, and pay pensions each month from that deposit. Interest earnings will accrue to the deposit. Each year, in June, the pensions are actuarially re-evaluated and excess monies are returned to the City, or deficit monies are remitted to the State. In 2015, the city paid an additional amount of \$39,343 as part of the current year re-evaluation.

B. Downtown Housing Stabilization

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

C. Spokane Public Facilities District

In August 2003 the City executed an interlocal agreement with the Spokane Public Facilities District (PFD) related to the Spokane Convention Center, the Spokane Opera House, and the Washington State International Agricultural Trade Center (collectively known as the Spokane Center) and the Spokane Veterans Memorial Arena. The purpose of the agreement was to set forth agreements relating to PFD's acquisition of the existing facilities, the expansion of the Spokane Convention Center, and the operation and maintenance of the Spokane Center facilities and the Arena. The agreement terminated the City's operation agreement for the Arena, and transferred 2/3 ownership of the Spokane Center assets to the PFD. The interlocal agreement also laid out certain annual obligations of the City to the PFD related to the Spokane Center. This agreement was modified in May 2009 and contains the following stipulations:

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

This agreement is valid through December 31, 2038.

D. Construction Commitments

The City has active construction projects as of December 31, 2015. The projects include street construction, parks, water/sewer infrastructure and transfer station upgrades, and technology upgrades. At year end, outstanding construction commitments are as follows:

Construction Commitments	Original Commitment	Spent to Date	Remaining Commitment at 12/31/15
2013 Traffic Calming Projects (2013098/2013099/2013100)	611,924	581,328	30,596
2014 Community Development Sidewalks (2014046)	422,836	422,186	650
2014 Traffic Calming Projects (2014066/2014067)	476,293	270,379	205,914
2015 Community Development Sidewalks (2015041)	429,737	408,250	21,487
2015 Residential Grind & Overlay Project	50,594	41,247	9,347
43rd & Hatch CSO 20 Control Facility (2013042)	4,035,934	3,300,617	735,317
Addison St/Standard St Bicycle & Pedestrian Corridor (2013162)	680,158	440,222	239,936
City-Wide Heat Applied Thermoplastic Markings (2012070)	434,276	318,981	115,296
Clark Avenue Riverbank Stabilization	126,222	120,416	5,806
CSO 6 Control Facility Phase II	2,228,875	1,909,816	319,059
Cured in Place Pipe 2014 Sanitary Sewer Rehab (2014119)	1,751,169	1,633,824	117,345
Downtown Bicycle Network Phase II project (2014154)	91,873	69,052	22,821
Finch Arboretum Low Impact Development	212,701	196,135	16,566
Francis Ave to Division St to ECLITS (2011076)	713,203	629,956	83,247
Garden Park Booster Station Replacement	951,434	794,937	156,498
Garden Springs Restoration (2013191)	116,474	111,116	5,358
Grant & Liberty Park Restrooms Re-roof	33,233	-	33,233
Hartson - Altamont to Fiske (2014083)	615,494	320,084	295,410
Havana & Glenrose Water and Road Improvements (2014079)	3,956,350	3,117,542	838,807
High Dr - Bernard St to Grand Blvd (2014056)	2,328,176	2,031,321	296,855
Indian Canyon Golf Course Maintenance Building Re-roof	16,553	-	16,553
Install Outdoor exercise equipment at Mission Park	11,577	5,899	5,677
Installation of Boiler at Water Dept	16,851	16,076	775
Landfill Biogas Filter System	96,580	79,865	16,715
Lincoln Heights Reservoir #2 Relining	493,411	470,715	22,696
Lincoln/Monroe - 17th to 8th Ave Bond Gap (2013210)	2,869,117	2,718,392	150,725
Indiana Reconstruction - from Division St to Dakota St - Phase I (2014134)	1,711,441	1,627,091	84,350
Main/Division Intersection Improvement (2011103)	486,595	-	486,595
Monroe St/Lincoln St Couplet 8th Ave to 2nd Ph 1 (2012115)	6,202,250	1,696,865	4,505,385
Nelson Center/Ops Complex Remodel	17,171,482	15,639,752	1,531,730
Otis Hotel Sidewalks (2015188) - Immediate Repairs	42,600	-	42,600
Panorama Dr. Water Main Replacement (2014075)	1,367,608	1,205,745	161,863
Ray St. from 29th to 17th Ave (2012116)	1,030,040	927,448	102,592
Rebecca Street from Pratt to 7th (2014090)	556,279	475,457	80,822

Refurbishing/Carpentry for Construction Management Office at Marietta Site	30,219	-	30,219
Rowan Ave Rehabilitation - Driscoll to Alberta Ph I (2014135)	2,962,597	1,756,585	1,206,013
SFD Fire Station Remodels for extractor Installations	12,859	-	12,859
Sidewalk at Cowley, Grant and Kehoe Park Facility	20,000	18,260	1,740
South Hill Library Roof Replacement	13,531,737	9,390,945	4,140,792
Underhill CSO 34-2 Storage Facility & Freya-Thor Trunk	92,123	3,630	88,494
Union Basin Stormwater Improvements	9,193,379	8,078,606	1,114,773
Upgrade Primary Solids Pump Station	1,261,310	886,030	375,280
Upgrade to Central Ave Well Pump Station	5,005,200	4,489,879	515,321
Upriver Dam Spillway Rehabilitation Phase II	29,200	27,837	1,363
Woodland Center in Finch Arboretum Re-roof	1,686,879		1,686,879
Spillway Stop log pump station	26,071	-	26,071
Lincoln Heights Reservoir # 1 Repainting	250,000		250,000
CSO 6 Control Facility Phase I	496,242	473,416	22,826
Central Ave Well Station Rehabilitation	5,648,933	4,818,842	830,091
Beemis St Bypass	131,550	79,971	51,579
1st from Helena to Altamont (2014118)	10,658	9,155	1,503
LID Parking, Landscaping and Fire Protection Improvements	145,000	-	145,000
Wall St CSO (2015083)	1,583,107	957,030	626,077
Erie st 1st Ave to MLK Way (2014115)	879,345	660,342	219,003
Rowan Avenue Sidewalk (2012134)	482,581	456,541	26,039
	298,945	283,997	14,947
Total Construction Commitments	\$ 96,117,273	\$ 73,971,779	\$ 22,145,494

D. Developer Improvements

In 2007, the City Council adopted Ordinance C34758 authorizing an "Amended and Restated Reimbursement Agreement". Under Article V of that agreement, the developer may offer to sell the City certain public improvements according to the terms of a "Form of Purchase and Sale Agreement." Since 2012 the developer has exercised that right and entered into the following agreements with the City.

Contract	Description	Amount	Interest Rate	Expiration Date
OPR 2012-0484	Kendall Yards Tendered Improvements 2nd Addition	\$ 574,038	0.1443%	12/15/2032
OPR 2013-0651	Kendall Yards Tendered Improvements 4th Addition	808,603	0.1443%	12/15/2032
OPR 2015-0555	Kendall Yards Tendered Improvements 5th Addition	612,033	0.1443%	12/15/2032
OPR 2015-0038	Kendall Yards Tendered Improvements Commercial Addition	1,446,910	0.1443%	12/15/2032
OPR 2014-0543	Burgans' Block	250,000	30 yr Treasury Bond + 2%	12/31/2034
		\$ 3,691,584		

Note 14

Prior Period Adjustments

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

Prior Period Adjustment	
Governmental Activities	\$ (82,732,090)
Business-Type Activities	(69,403,166)
Total	<u>(152,135,256)</u>

Governmental Activities	
General Fund	\$ 123,549
Community Development Block Grant	(553)
	<u>122,996</u>
Capital Asset Correction ¹	
Street Fund	(483,817)
Community Dev. Block Grant Funds	112,919
Capital Improvements 1999	(200)
Asset Mgmt Fund	3,330
Total	<u>\$ (367,768)</u>
¹ Because capital assets in the governmental funds are not reflected in the fund financial statements, corrections of prior period balances only affect the government-wide financial statements.	

Governmental Activities

\$123,549 increase in the General Fund due to the correction of prior year accruals.

\$553 decrease in Community Development Block Grant Fund due to the correction of prior year accruals.

\$506,560 decrease in Street Fund due to cancellation of the Latah Creek project and \$ 4,817 decrease due to cancellation of the North Indian Trail project. \$ 27,560 increase due to a 2003 calculation error.

\$112,919 increase in Community Development Block Grants due to improvements made to Community Centers less depreciation.

\$200 decrease in the Capital Improvements 1999 Funds for 6 months depreciation on 2014 retainage not paid until 2015.

\$3,330 increase in Asset Management Fund due to commissioning costs, less depreciation on vehicles placed in service in 2014.

Business-Type Activities	
Water/Sewer Fund	(9,343)
Total	\$ (9,343)

Business-Type Activities

\$3,212 decrease in the Water/Sewer Fund due to the correction of prior year accruals, and a decrease of \$6,131 to correct a prior amount recorded in long term debt proceeds.

Net Pension Liability

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, requires governmental employers with employees participating in defined benefit pension plans that are administered through trusts or equivalent arrangements to report their proportionate share of the net pension liability (NPL) or net pension assets (NPA), if the plan net position exceeds the total pension liability on the face of their accrual based financial statements.

The beginning net pension liability less the amount previously recorded as net pension obligation is reflected as a change in accounting principle. The Statement of Activities was impacted as follows:

Change in Accounting Principle (GASB 68)	
Governmental Activities	
SERS-NPL	(82,146,175)
Firefighters' Pension-NPL	(10,667,080)
Police Pension-NPL	(11,068,336)
LEOFF 1-NPA	11,619,884
LEOFF 1-Deferred Inflow	(4,305,483)
LEOFF 2-NPA	26,720,542
LEOFF 2-Deferred Outflow	1,497,220
LEOFF 2-Deferred Inflow	(14,137,890)
Total Governmental Activities	(82,487,318)
Business-Type Activities	
SERS-NPL	(69,393,823)
Total	\$ (151,881,141)

Note 15

Legal Matters

In the normal course of governmental operations the City has claims filed against it for various losses related to tort actions for such things as wrongful acts, injuries, or damages for which a civil action can be brought, and other routine legal proceedings. At any given point in time, there is a recurring volume of tort and other claims for compensation and damages against the City, which could impact expenditures. The City's Risk Management Fund provides for these claims, and insurance is available to pay a portion of damages for certain types of claims. The collective impact of these claims is not likely to have a material impact on the City's financial position. There are no known pending or anticipated legal matters that would materially affect the financial statements of the City for the year ending December 31, 2015.

Note 16

Subsequent Events

On January 20, 2016 the city issued \$16,167,449 in limited tax general obligation (LTGO) refunding bonds with an average interest rate of 3.24 percent to refund \$16,065,000 of outstanding LTGO 2005B bonds with an average interest rate of 5.31 percent.

The bonds were issued to refund all of the City's outstanding LTGO 2005B bonds and to pay the costs of issuance of the bonds. A portion of the net proceeds from the sale of the bonds and other available funds were deposited in an irrevocable trust with an escrow agent to redeem the 2005B bonds, which were callable after December 1, 2015. As a result, the 2005B bonds were redeemed and the liability for those bonds has been from the city's financial statements for 2016.

The city refunded the 2005 LTGO bonds to reduce its total combined debt service payments over the next 12 years by \$2,396,158 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,872,801.

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund Accounts
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 146,976,005	\$ 146,976,005	\$ 148,114,876	\$ 1,138,871
Licenses and permits	6,449,500	6,499,500	6,769,497	269,997
Intergovernmental	5,927,413	6,921,209	8,813,594	1,892,385
Charges for services	13,966,959	14,631,959	14,869,699	237,740
Fines and forfeitures	3,188,500	3,288,500	3,268,994	(19,506)
Miscellaneous	4,465,981	4,509,981	5,541,035	1,031,054
Total resources	180,974,358	182,827,154	187,377,695	4,550,541
EXPENDITURES				
General government	31,195,405	31,073,353	30,259,412	813,941
Public safety	98,914,060	103,427,057	106,937,313	(3,510,256)
Transportation	8,542,972	6,808,292	5,628,838	1,179,454
Economic environment	5,465,893	4,726,243	4,281,283	444,960
Social services	120,080	1,589,688	1,573,722	15,966
Culture and recreation	8,587,197	8,725,614	8,522,999	202,615
Capital outlays	2,416,267	2,884,480	1,971,376	913,104
Interest	10,000	10,000	-	10,000
Total expenditures	155,251,874	159,244,727	159,174,943	69,784
Excess resources over expenditures	25,722,484	23,582,427	28,202,752	4,620,325
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	500,000	500,000	62,560	(437,440)
Transfers in	46,129,634	46,324,634	463,420	(45,861,214)
Transfers out	(73,085,647)	(73,044,444)	(26,640,585)	46,403,859
Total other financing sources (uses)	(26,456,013)	(26,219,810)	(26,114,605)	105,205
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(733,529)	(2,637,383)	2,088,147	4,725,530
Other changes in fund balance				
Fund Balance - beginning	39,088,654	39,088,654	39,088,654	-
Prior Period Adjustment	123,549	123,549	123,549	-
Fund Balance - beginning (restated)	39,212,203	39,212,203	39,212,203	-
Fund Balance - ending	\$ 38,478,674	\$ 36,574,820	\$ 41,300,350	\$ 4,725,530

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
UTGO 2015
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Miscellaneous	-	-	533,733	533,733
Total resources	-	-	533,733	533,733
EXPENDITURES				
Culture and recreation	-	696,602	166,607	529,995
Capital outlays	-	63,892,250	677,804	63,214,446
Interest	-	141,000	426,770	(285,770)
Total expenditures	-	64,729,852	1,271,181	63,458,671
Excess resources over expenditures	-	(64,729,852)	(737,448)	63,992,404
OTHER FINANCING SOURCES (USES)				
Proceeds of bonds issued	-	59,277,935	59,227,935	-
Premium on bonds issued	-	5,451,917	5,451,917	-
Total other financing sources (uses)	-	64,729,852	64,729,852	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	63,992,404	63,992,404
Other changes in fund balance				
Fund Balance - beginning	-	-	-	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	-	-	-	-
Fund Balance - ending	\$ -	\$ -	\$ 63,992,404	\$ 63,992,404

Required Supplementary Information

Schedule of Net Pension Liability

	SERS	Firefighters'	Police
	2015	2015	2015
Total pension liability			
Service cost	\$ 11,405,611	\$ -	\$ -
Interest	25,718,424	938,119	341,929
Changes of benefit terms	86,298	-	-
Differences between expected and actual experience	18,507,784	(2,281,571)	(1,233,517)
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(22,884,026)	(1,340,440)	(1,100,056)
Net change in total pension liability	32,834,091	(2,683,892)	(1,991,644)
Total pension liability—beginning	458,559,034	24,116,632	11,943,611
Total pension liability—ending (a)	<u>\$ 491,393,125</u>	<u>\$ 21,432,740</u>	<u>\$ 9,951,967</u>
Plan fiduciary net position			
Contributions—employer	\$ 6,822,279	\$ 1,529,654	\$ 850,789
Contributions—state			
Contributions—member	6,822,279	-	-
Net investment income	14,497,901	295,093	-
Benefit payments, including refunds of member contributions	(22,884,026)	(1,340,440)	(1,100,056)
Administrative expense	(386,713)	(13,889)	(12,985)
Other	-	-	-
Net change in plan fiduciary net position	4,871,720	470,418	(262,252)
Plan fiduciary net position—beginning	280,901,101	13,449,552	875,275
Plan fiduciary net position—ending (b)	<u>\$ 285,772,821</u>	<u>\$ 13,919,970</u>	<u>\$ 613,023</u>
Plan's net pension liability—ending (a) – (b)	<u>\$ 205,620,304</u>	<u>\$ 7,512,770</u>	<u>\$ 9,338,944</u>
Plan fiduciary net position as a percentage of the total pension liability	58.2%	64.9%	6.2%
Covered-employee payroll	\$ 89,034,522	N/A	N/A
Plan's net pension liability as a percentage of covered-employee payroll	230.90%	N/A	N/A

Legislative and administrative changes. Effective January 1, 2015, the following changes were enacted for all employees hired on or after January 1, 2015. 1) Early retirement is permitted at any time after attaining age 50 with the sum of age plus years of eligible service greater than or equal to 80, 2) Final compensation is defined as the highest average annual compensation received during any three consecutive years, 3) Normal retirement date is defined as the first day of the month coinciding with or next following the attainment of age 65 and completion of 7 years of eligible service, and 4) Benefit eligibility at termination requires at least 7 years of eligible service.

Effective September 1, 2014, the annual Contribution Rate was changed to 16.50% of payroll (8.25% of pay paid by the Employee, 8.25% of pay paid by the Employer). Previously the Contribution Rate was 15.50% of payroll (7.75% of pay paid by the Employee, 7.75% of pay paid by the Employer).

With the implementation of GASB 68, the City of Spokane allocated the Plan's unfunded liability and expense to all funds of the City. As of December 31, 2015, the proportionate share allocated for SERS was 299,345 of net pension liability, 31,826 of deferred outflows, 85,759 of deferred inflows, and 8,882 of pension expense.

Schedule of City's Proportionate Share of the Net Pension Liability (Dollars in Thousands)

	LEOFF 1	LEOFF 2
City's proportion of the net pension liability (asset)	0.9613%	2.0020%
City's proportionate share of the net pension liability (asset)	\$ (11,586.27)	\$ (20,576.05)
City's covered employee payroll	\$ 101.74	\$ 34,917.63
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-11388.27%	-58.93%
Plan's fiduciary net position as a percentage of the total pension liability		

Schedule of Employer Contributions

SERS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 9,069,276	\$ 8,292,066	\$ 8,237,317	\$ 8,325,936	\$ 10,010,885	\$ 8,955,055	\$ 8,267,280	\$ 8,826,967	\$ 5,742,761	\$ 6,231,299
Contributions in relation to the actuarially determined contribution	7,398,945	6,822,279	6,715,376	6,937,750	6,799,258	6,580,795	6,474,432	4,875,443	4,518,363	4,287,457
Contribution deficiency (excess)	\$ 1,670,331	\$ 1,469,787	\$ 1,521,941	\$ 1,388,186	\$ 3,211,627	\$ 2,374,260	\$ 1,792,848	\$ 3,951,524	\$ 1,224,398	\$ 1,943,842
Covered-employee payroll	\$ 89,684,182	\$ 86,139,886	\$ 86,650,013	\$ 89,519,355	\$ 90,264,062	\$ 88,093,679	\$ 83,455,429	\$ 74,183,014	\$ 69,261,673	\$ 67,750,706
Contributions as a percentage of covered-employee payroll	8.25%	7.92%	7.75%	7.75%	7.75%	7.75%	7.75%	6.72%	6.72%	6.72%

Notes to Schedule

Valuation date: December 31, 2015

Actuarially determined contribution rates are calculated as of December 31, of the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	3.0%

Salary increases 0% for member with more than 5 years of service in years 2013, 2014 and

Otherwise in accordance with the following table based on service:

Years of Service	Annual Increase
<3	10.0%
3-4	8.0%
5-15	3.5%
16+	3.0%

Investment rate of return 7.5%, net of pension plan investment expense

Retirement age In accordance with the following table based on age:

Age	Retirement Probability
<50	0.0%
50-57	4.5%
58-61	7.0%
62	25.0%
63-64	15.0%
65	25.0%
66-68	20.0%
69-74	15.0%
75+	100.0%

Mortality 1994 Group Annuity Mortality Static Tables

Schedule of Employer Contributions Firefighters' Pension

	2015	2014	2013	2012
Actuarially determined contribution	\$ 519,891	\$ 864,697	\$ 864,697	\$ 1,070,804
Contributions in relation to the actuarially determined contribution	2,314,579	1,515,765	2,183,389	439,804
Contribution deficiency (excess)	<u>\$ (1,794,688)</u>	<u>\$ (651,068)</u>	<u>\$ (1,318,692)</u>	<u>\$ 631,000</u>
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: December 31, 2014

Actuarially determined contribution rates are calculated as of December 31, of the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	30 year, closed as of January 1, 2007
Remaining amortization period	23 years
Asset valuation method	Fair Market Value
Inflation	2.5%
Salary increases	N/A
Investment rate of return	4.00%
Cost-of-Living Adjustments	Based upon 3.5% increase assumption when appropriate, for FPF benefits. Based upon inflation assumption when appropriate, for FPF benefits and all LEOFF benefits.
Mortality Table-Active and Service Retirees	RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year.
Mortality Table-Disabled Retirees	RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set forward two years.
Mortality Table-Spouses	RP-2000 Mortality Table for females (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set forward one year.

Schedule of Employer Contributions Police Pension

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

Notes to Schedule

Valuation date: December 31, 2014

Actuarially determined contribution rates are calculated as of December 31, of the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	30 year, closed as of January 1, 2007
Remaining amortization period	23 years
Asset valuation method	Fair Market Value
Inflation	2.5%
Salary increases	N/A
Investment rate of return	3.00%
Cost-of-Living Adjustments	Based upon 3.5% increase assumption when appropriate, for PPF benefits. Based upon inflation assumption when appropriate, for PPF benefits and all LEOFF benefits.

Mortality Table-Active and Service Retirees RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set back one year.

Mortality Table-Disabled Retirees RP-2000 Mortality Table for males (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set forward two years.

Mortality Table-Spouses RP-2000 Mortality Table for females (combined healthy), Fully Generational Projection, using 50% of Projection Scale AA, with ages set forward one year.

Schedule of Employer Contributions LEOFF 1 and LEOFF 2

City Portion	2015	2015			
	LEOFF 1	LEOFF 2			
(dollars in thousands)					
Contractually Required Contributions	\$ -	2,951,637			
Contributions in relation to the actuarially determined contribution	0	2,952,097			
Contribution deficiency (excess)	\$ (0)	\$ (460)			
Covered-employee payroll	1	34,917,629			
Contributions as a percentage of covered-employee payroll	0.57%	8.45%			
Please note that GASB 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.					

Other Postemployment Benefits
Schedule of Employer Contributions
Firefighters' Pension

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Employer's annual required contribution	\$ 2,778	3,377	\$ 3,377	\$ 5,056	\$ 5,056	\$ 4,311	\$ 4,311	\$ 3,657	\$ 3,657
Employer's actual contribution	2,778	3,377	3,377	5,099	5,013	4,311	4,311	3,657	3,657
Percentage contributed	100%	100%	100%	101%	99%	100%	100%	100%	100%
Annual OPEB cost	2,778	3,377	3,377	5,056	5,056	4,311	4,311	3,657	3,657
Net OPEB obligation	-	-	-	-	43	-	-	-	-

Other Postemployment Benefits
Schedule of Employer Contributions
Police Pension

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Employer's annual required contribution	\$ 3,944	4,380	\$ 4,380	\$ 5,877	\$ 5,877	\$ 4,573	\$ 4,573	\$ 3,470	\$ 3,470
Employer's actual contribution	2,733	3,041	2,496	2,811	2,856	3,398	2,747	2,606	2,522
Percentage contributed	69%	69%	57%	48%	49%	74%	60%	75%	73%
Annual OPEB cost	3,539	4,028	4,093	5,712	5,782	4,505	4,541	3,458	3,470
Net OPEB obligation	13,917	13,111	12,124	10,527	7,626	4,700	3,593	1,799	948

Other Postemployment Benefits

Schedule of Funding Progress

Firefighters' Pension

Valuation of Postretirement Benefits Other Than Pensions - Firefighter's Pension Fund						
GASB Statements No. 43 and No. 45 Schedule of Funding Progress						
City of Spokane						
December 31, 2015						
(rounded to thousands)						
		Actuarial	Unfunded Actuarial			UAAL As A
	Actuarial Value	Accrued	Accrued Liabilities		Covered	Percentage of
Valuation Date	of Assets	Liabilities	(UAAL)	Funded Ratio	Payroll	Covered Payroll
12/31/2006	\$ 3,347	\$ 55,666	\$ 52,319	6%	N/A	N/A
12/31/2008	5,133	65,479	60,346	8%	N/A	N/A
12/31/2010	7,889	77,975	70,086	10%	N/A	N/A
12/31/2012	12,576	62,779	50,203	20%	N/A	N/A
12/31/2014	13,998	54,093	40,095	26%	N/A	N/A

Other Postemployment Benefits

Schedule of Funding Progress

Police Pension

Valuation of Postretirement Benefits Other Than Pensions - Police Relief & Pension Fund						
GASB Statements No. 43 and No. 45 Schedule of Funding Progress						
City of Spokane						
December 31, 2015						
(rounded to thousands)						
		Actuarial	Unfunded Actuarial			UAAL As A
	Actuarial Value	Accrued	Accrued Liabilities		Covered	Percentage of
Valuation Date	of Assets	Liabilities	(UAAL)	Funded Ratio	Payroll	Covered Payroll
12/31/2006	\$ -	\$ 51,370	\$ 51,370	0%	N/A	N/A
12/31/2008	-	74,045	74,045	0%	N/A	N/A
12/31/2010	-	91,069	91,069	0%	N/A	N/A
12/31/2012	-	73,197	73,197	0%	N/A	N/A
12/31/2014	-	62,745	62,745	0%	N/A	N/A

Notes to the Required Supplementary Information

For the Fiscal Year Ended December 31, 2015

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

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

CITY OF SPOKANE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2015

1 FEDERAL AGENCY NAME/PASS-THROUGH AGENCY NAME	2 FEDERAL PROGRAM NAME	3 CFDA NUMBER	4 OTHER AWARD NUMBER	5 EXPENDITURES			6 AMOUNTS PASSED THROUGH TO SUBRECIPIENTS	7 FOOTNOTES
				From Pass- Through Awards	From Direct Awards	Total		
U.S. Department of Justice	Equitable Sharing Program	16.922	WA0320400		1,000.00	1,000.00	-	2
U.S. Department of Transportation/Pass-through from WA State Department of Transportation	Highway Planning and Construction	20.205	CM-0002(828)	72,264.82			-	2
			CM-1220(031)	107,993.64			-	2
			CM-3881(006)	182,970.86			-	2
			CM-3881(007)	4,246.02			-	2
			CM-3933(001)	452,639.25			-	2
			CM-3948(005)	7,082.85			-	2
			CM-3948(007)	631,455.59			-	2
			CM-3960(002)	29,004.76			-	2
			CM-9932(039)	68,019.11			-	2
			HSIP-000S(333)	9,953.05			-	2
			SRTS-1220(028)	4,871.25			-	2
			SRTS-1220(029)	3,370.60			-	2
			STDP-3850(006)	1,314,814.09			-	2
			STPUL-1220(0025)	8,386.23			-	2
			STPUL-1220(026)	52,841.58			-	2
			STPUL-1220(027)	19,071.80			-	2
			STPUL-3792(001)	198,006.18			-	2
			STPUL-3997(002)	886,687.76			-	2
			STPUL-9932(046)	1,079,133.12			-	2
			TAP-1220(030)	99,004.26			-	2
			TCSP-1220(024)	<u>25,910.83</u>			-	2
			Subtotal	5,257,727.65		5,257,727.65	-	
U.S. Department of Transportation	National Motor Carrier Safety	20.218	FM-MPH-0211-15-01-00		6,716.24	6,716.24	-	
U.S. Department of Transportation/Pass-through from Spokane Transit Authority	New Freedom Program	20.521	WA-57-X023	177,782.49		177,782.49	-	
U.S. Department of Transportation/Pass-through from WA State Traffic Safety Commission	Highway safety Cluster - State and Community Highway	20.600	State & Community Highway Safety	2,671.58			-	
			State & Community Highway Safety	5,608.57			-	
			State & Community Highway Safety	<u>19,378.33</u>			-	
			Subtotal	27,659.48		27,659.48	-	
U.S. Department of Transportation/Pass-through from WA Association of Sheriffs and Police Chiefs	Highway safety Cluster - State and Community Highway	20.600	WASPC Mini Grant	498.71			-	4B
			WASPC Sector Equipment	12,727.25			-	4B
			Donated Equipment	<u>13,755.00</u>			-	4B
			Subtotal	26,980.96		26,980.96	-	
			Total - CFDA 20.600	54,640.44		54,640.44	-	
U.S. Department of Transportation/Pass-through from WA State Traffic Safety Commission	Highways safety Cluster - National Priority Safety Programs	20.616	State & Community Highway Safety	2,671.58			-	
			#MAP21Section 504d	<u>2,373.11</u>			-	
			Subtotal	5,044.69		5,044.69	-	
			Total Highway Safety Cluster	59,685.12		59,685.12	-	
US Department of Treasury	Equitable Sharing Program	21.WA0320400	WA0320400		44,390.50	44,390.50	-	
Institute of Museum and Library Services/Pass-through from WA State Library	Grants to States	45.310	LS-00-14-0048-14	4,094.00		4,094.00	-	
Environmental Protection Agency/Pass-through from WA State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	Pacific and Perry	789.36			-	5, 6, 9
			Erie Street	20,908.48			-	5, 6, 9
			Riverside	676.05			-	5, 6, 9
			CSO Basin 41	6,742.96			-	5, 6, 9
			CSO Basin 25	36,404.65			-	5, 6, 9
			CSO Basins 14 & 15	14,893.46			-	5, 6, 9
			WQC-2015-Spokane-00038	9,293,373.07			-	5, 6, 10
			WQC-2015-Spokane-00025	4,614,987.00			-	5, 6, 10
			L1400005	539,410.54			-	5, 6
			L1400007	63,209.38			-	5, 6
			L1400011	1,429,578.17			-	5, 6
			L1200017	676,099.77			-	5, 6
			L1400015	163,902.92			-	5, 6, 10
			L1300020	3,189,936.52			-	5, 6, 10
			L1400004	41,933.41			-	5, 6
			L1300015	<u>231,252.83</u>			-	5, 6, 10
			Subtotal	20,324,098.57		20,324,098.57	-	
Environmental Protection Agency	Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	00J99901		42,461.96	42,461.96	-	
Environmental Protection Agency	Brownfields Assessment and Cleanup Cooperative Agreements	66.818	01J11001		11,522.50	11,522.50	-	
Environmental Protection Agency/Pass-through from WA State Department of Commerce	Brownfields Assessment and Cleanup Cooperative Agreements	66.818	S-12-7403-01	29,745.72		29,745.72	-	2
			Total - CFDA 66.818	29,745.72	11,522.50	41,268.22	-	
U. S. Department of Homeland Security/ Pass-through from Spokane County Department of Emergency Management	Emergency Management Performance Grant	97.042	EMPG-FY14-GSEM-14001-E15-14	17,420.03		17,420.03	-	

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

CITY OF SPOKANE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2015

1	2	3	4	5			6	7
FEDERAL AGENCY NAME/PASS-THROUGH AGENCY NAME	FEDERAL PROGRAM NAME	CFDA NUMBER	OTHER AWARD NUMBER	EXPENDITURES			AMOUNTS PASSED THROUGH TO SUBRECIPIENTS	FOOTNOTES
				From Pass- Through Awards	From Direct Awards	Total		
U. S. Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW2013-FO-07107		613,701.00	613,701.00	-	
U. S. Department of Homeland Security/ Pass-through from Spokane County Department of Emergency Management	Homeland Security Grant Program	97.067	EMW-2013-SS-00025-S01	4,572.85			-	4A
			EMW-2014-SS-00016-S01	102,000.00			-	4A
			Subtotal	106,572.85		106,572.85	-	
U. S. Department of Homeland Security/ Pass-through from State of Idaho Military Division	Homeland Security Grant Program	97.067	EMW-2013-SS-00149	2,083.66			-	4A
			EMW-2014-SS-00084-S01	78.28			-	4A
			EMW-2015-SS-00091	6,240.00			-	4A
			Subtotal	8,401.84		8,401.84	-	
			Total CFDA 97.067	114,974.69	-	114,974.69	-	
U. S. Department of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00768		890,341.06	890,341.06	-	
Total Federal Awards expended				26,067,370.72	10,313,665.77	36,381,036.49	6,265,980.32	

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

CITY OF SPOKANE, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City of Spokane has a revolving loan program for low-income housing assistance. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$1,655,401. These amounts are presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$1,602,204.

Program	Balance 1/1/2015	Loans Disbursed	Payments Received	Forgiveness & Write-offs	Balance 12/31/2015
CDBG	18,451,757	161,408	(1,073,302)	(158,065)	17,381,799
HOME	16,513,460	1,493,993	(464,539)	(256,687)	17,286,227
Lead Safe Spokane	1,174,471	-	(17,244)	(225,934)	931,294
Housing Assistance/ Neighborhood Stabilization	3,223,693	-	(47,120)	(21,301)	3,155,273
Total	39,363,380	1,655,401	(1,602,204)	(661,985)	38,754,592

NOTE 4 - NONCASH AWARDS – EQUIPMENT

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

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

NOTE 5 - INDIRECT COST RATE

The amount expended includes amounts claimed as an indirect cost recovery using an indirect cost rate of up to 133.69%, depending on the allowable maximum amount per the grant and the department charging the grant.

CITY OF SPOKANE, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 – FEDERAL LOANS

The City was approved by the State of Washington Department of Ecology to receive loans totaling \$66,317,989. The Department of Ecology computes the ratio that is used to determine Federal funds from State funds for loan proceeds received by the City. While the amount of \$20,324,098.57 reported on the SEFA is 100% of expenditures, reimbursement for the federal portion of these loans is \$16,936,071.34 based on 83.33% as determined by the Department of Ecology.

NOTE 7 - CFDA NUMBER CLARIFICATION

The U.S. Department of Justice Domestic Cannabis Eradication/Suppression program does not have a distinct CFDA number. It is presented on the SEFA as 16.K11068 which is the U.S. Department of Justice federal agency's two digit prefix followed by the contract or grant number.

NOTE 8 – DISCLOSURE ON PRIOR SEFAS

The U.S. Department of Housing and Urban Development Neighborhood Initiative grant program was inadvertently included as part of CFDA 14.256 on prior SEFA's from 2010 to 2014 due to the similar nature of the programs. Total expenditures for this program from inception through December 31, 2015 are \$65,231.98.

NOTE 9 – POTENTIAL FEDERAL LOANS

The City has applied for a Capitalization Grant for Clean Water State Revolving Funds loan to pay for this program. As these expenditures will possibly be paid for with federal funds, they have been included on this schedule. Should the City's loan request be refused, these programs will be removed in future years. Otherwise they will continue to be reported each year that expenditures exist until all loan funds have been expended.

NOTE 10 – MULTI-YEAR EXPENDITURES

The City uses Capitalization Grant for Clean Water State Revolving Loan Funds to pay for this program, however, due to the approval of these loan applications, not all expenditures were reported in their respective year of use. All expenditures for this program have been included on the 2015 SEFA. Expenditures reported for these contracts are as follows:

Grant No.	Pre 2015 Expenditures	2015 Expenditures	Total Expenditures
WQC-2015-Spokane-00038	2,294,934.18	6,998,438.89	9,293,373.07
WQC-2015-Spokane-00025	2,151,799.69	2,463,187.31	4,614,987.00
L1300015	24,436.18	206,816.65	231,252.83
L1300020	10,677.61	3,179,258.91	3,189,936.52
L1400015	113,021.97	50,880.95	163,902.92

**Schedule for General Fund Accounts
Balance Sheet
December 31, 2015**

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
ASSETS					
Cash and cash equivalents	\$ 8,943,880	\$ 78,946	\$ 425,685	\$ 20,377	\$ 390
Deposits with fiscal agents/trustees	29,242	-	-	-	-
Equity in pooled investments	12,005,179	-	555,530	-	-
Taxes receivable	12,938,440	333,975	-	-	-
Accounts receivable	2,948,567	-	31,915	7,351	-
Interest receivable	467,808	-	258	-	-
Due from other funds	5,791,956	241,889	-	-	-
Interfund loan receivable	1,550,556	-	4,376	-	-
Due from other governments	473,611	-	-	3,640	-
Advances to other funds	732,551	-	35,026	-	-
Notes/contract receivable (non-current)	-	-	-	-	-
Total Assets	45,881,790	654,810	1,052,790	31,368	390
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts/vouchers payable	1,668,590	24,734	55,182	5,892	-
Due to other funds	1,237,279	430,740	3,926	10,405	-
Due to other governments	107,855	-	-	-	-
Revenues collected in advance	60,000	-	-	-	-
Other accrued liabilities	2,613,440	32,389	214,335	-	-
Other current liabilities	925,035	-	98	-	-
Total Liabilities	6,612,199	487,863	273,541	16,297	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes	1,720,234	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	8,332,433	487,863	273,541	16,297	-
FUND BALANCE:					
Nonspendable	732,551	-	35,026	-	-
Restricted - grants	-	-	-	-	-
Committed	15,288,129	-	-	15,071	390
Assigned	1,561,413	166,947	744,223	-	-
Unassigned	19,967,264	-	-	-	-
Total Fund Balance	\$ 37,549,357	\$ 166,947	\$ 779,249	\$ 15,071	\$ 390

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2015

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
ASSETS				
Cash and cash equivalents	\$ 82,890	\$ 8,702	\$ 622	\$ 22,569
Deposits with fiscal agents/trustees	-	-	-	-
Equity in pooled investments	1,086	242,452	189,092	-
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	-	113	88	-
Due from other funds	-	10	-	-
Interfund loan receivable	9	1,910	1,489	-
Due from other governments	-	-	-	-
Advances to other funds	69	15,286	11,922	-
Notes/contract receivable (non-current)	-	150,684	18,095	-
Total Assets	84,054	419,157	221,308	22,569
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts/vouchers payable	-	1,035	-	-
Due to other funds	-	56	-	-
Due to other governments	-	-	-	-
Revenues collected in advance	-	-	-	-
Other accrued liabilities	-	-	-	-
Other current liabilities	-	-	-	-
Total Liabilities	-	1,091	-	-
DEFERRED INFLOWS OF RESOURCES				
Property taxes	-	-	-	-
Total Liabilities Plus Deferred Inflows of Resources	-	1,091	-	-
FUND BALANCE:				
Nonspendable	69	15,286	11,922	-
Restricted - grants	-	402,780	209,386	-
Committed	-	-	-	-
Assigned	83,985	-	-	22,569
Unassigned	-	-	-	-
Total Fund Balance	\$ 84,054	\$ 418,066	\$ 221,308	\$ 22,569

City of Spokane, Washington
Schedule for General Fund Accounts
Balance Sheet
December 31, 2015

	Emergency Medical Services	Eliminations	Total
ASSETS			
Cash and cash equivalents	\$ 200,921	\$ -	\$ 9,784,982
Deposits with fiscal agents/trustees	10,226	-	39,468
Equity in pooled investments	2,173,977	-	15,167,316
Taxes receivable	443,970	-	13,716,385
Accounts receivable	407,247	-	3,395,080
Interest receivable	174	-	468,441
Due from other funds	211,827	(373,340)	5,872,342
Interfund loan receivable	17,124	-	1,575,464
Due from other governments	448,201	-	925,452
Advances to other funds	137,067	-	931,921
Notes/contract receivable (non-current)	-	-	168,779
Total Assets	4,050,734	(373,340)	52,045,630
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts/vouchers payable	169,610	-	1,925,043
Due to other funds	4,061	(373,340)	1,313,127
Due to other governments	-	-	107,855
Revenues collected in advance	-	-	60,000
Other accrued liabilities	1,415,505	-	4,275,669
Other current liabilities	10,262	-	935,395
Total Liabilities	1,599,438	(373,340)	8,617,089
DEFERRED INFLOWS OF RESOURCES			
Property taxes	407,957	-	2,128,191
Total Liabilities Plus Deferred Inflows of Resources	2,007,395	(373,340)	10,745,280
FUND BALANCE:			
Nonspendable	137,067	-	931,921
Restricted - grants	-	-	612,166
Committed	798,033	-	16,101,623
Assigned	1,108,239	-	3,687,376
Unassigned	-	-	19,967,264
Total Fund Balance	\$ 2,043,339	\$ -	\$ 41,300,350

City of Spokane, Washington
Schedule of General Fund Accounts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	General Fund	Code Enforcement	Library	Under Freeway Parking	Parking Facilities
REVENUES					
Taxes	\$ 140,444,123	\$ 19,289	\$ -	\$ -	\$ -
Licenses and permits	6,419,461	-	-	-	-
Intergovernmental	6,145,269	-	45,126	-	-
Charges for services	12,699,262	811,652	18,006	-	-
Fines and forfeitures	2,887,440	-	146,954	-	-
Miscellaneous	4,970,727	224,894	122,127	159,433	-
Total Revenues	173,566,282	1,055,835	332,213	159,433	-
EXPENDITURES					
Current:					
General government	30,259,412	-	-	-	-
Public safety	56,807,008	1,697,357	-	-	-
Transportation	5,449,208	-	-	179,630	-
Economic environment	4,256,265	-	-	-	-
Social services	1,573,722	-	-	-	-
Culture and recreation	321,996	-	8,201,003	-	-
Capital outlays	589,226	-	935,510	83,467	-
Debt service:					
Total Expenditures	99,256,837	1,697,357	9,136,513	263,097	-
Excess of Revenues Over (Under) Expenditures	74,309,445	(641,522)	(8,804,300)	(103,664)	-
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	50,747	-	100	-	-
Transfers in	463,420	648,323	9,003,397	-	-
Transfers out	(72,530,309)	-	(56,996)	-	-
Total Other Financing Sources (Uses)	(72,016,142)	648,323	8,946,501	-	-
Change in Fund Balance	2,293,303	6,801	142,201	(103,664)	-
Other Changes in Fund Balance					
Fund Balance - beginning	35,132,505	160,146	637,048	118,735	390
Period Adjustment	123,549	-	-	-	-
Fund Balance - beginning (restated)	35,256,054	160,146	637,048	118,735	390
Fund Balance - ending	\$ 37,549,357	\$ 166,947	\$ 779,249	\$ 15,071	\$ 390

City of Spokane, Washington
Schedule of General Fund Accounts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	Capital Improvement Program	Hope Acquisition	Housing Trust Grant	Cumulative Reserve
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	5	1,103	847	-
Total Revenues	<u>5</u>	<u>1,103</u>	<u>847</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	24,752	266	-
Social services	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlays	4,763	-	-	-
Debt service:				
Total Expenditures	<u>4,763</u>	<u>24,752</u>	<u>266</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,758)</u>	<u>(23,649)</u>	<u>581</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	(4,758)	(23,649)	581	-
Other Changes in Fund Balance				
Fund Balance - beginning	88,812	441,715	220,727	22,569
Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	88,812	441,715	220,727	22,569
Fund Balance - ending	<u>\$ 84,054</u>	<u>\$ 418,066</u>	<u>\$ 221,308</u>	<u>\$ 22,569</u>

City of Spokane, Washington
Schedule of General Fund Accounts
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	Emergency Medical Services	Eliminations	Total
REVENUES			
Taxes	\$ 7,651,464	\$ -	\$ 148,114,876
Licenses and permits	350,036	-	6,769,497
Intergovernmental	2,623,199	-	8,813,594
Charges for services	1,340,779	-	14,869,699
Fines and forfeitures	234,600	-	3,268,994
Miscellaneous	61,899	-	5,541,035
Total Revenues	<u>12,261,977</u>	<u>-</u>	<u>187,377,695</u>
EXPENDITURES			
Current:			
General government	-	-	30,259,412
Public safety	48,432,948	-	106,937,313
Transportation	-	-	5,628,838
Economic environment	-	-	4,281,283
Social services	-	-	1,573,722
Culture and recreation	-	-	8,522,999
Capital outlays	358,410	-	1,971,376
Debt service:			
Total Expenditures	<u>48,791,358</u>	<u>-</u>	<u>159,174,943</u>
Excess of Revenues Over (Under) Expenditures	<u>(36,529,381)</u>	<u>-</u>	<u>28,202,752</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	11,713	-	62,560
Transfers in	36,295,000	(45,946,720)	463,420
Transfers out	-	45,946,720	(26,640,585)
Total Other Financing Sources (Uses)	<u>36,306,713</u>	<u>-</u>	<u>(26,114,605)</u>
Change in Fund Balance	<u>(222,668)</u>	<u>-</u>	<u>2,088,147</u>
Other Changes in Fund Balance			
Fund Balance - beginning	<u>2,266,007</u>	<u>-</u>	<u>39,088,654</u>
Period Adjustment	-	-	123,549
Fund Balance - beginning (restated)	<u>2,266,007</u>	<u>-</u>	<u>39,212,203</u>
Fund Balance - ending	<u>\$ 2,043,339</u>	<u>\$ -</u>	<u>\$ 41,300,350</u>

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 139,406,000	\$ 139,406,000	\$ 140,444,123	\$ 1,038,123
Licenses and permits	6,153,000	6,153,000	6,419,461	266,461
Intergovernmental	4,706,280	4,888,472	6,145,269	1,256,797
Charges for services	12,542,642	12,542,642	12,699,262	156,620
Fines and forfeitures	2,873,500	2,873,500	2,887,440	13,940
Miscellaneous	3,990,110	3,990,110	4,970,727	980,617
Total resources	169,671,532	169,853,724	173,566,282	3,712,558
EXPENDITURES				
General government	30,562,684	31,073,353	30,259,412	813,941
Public safety	54,063,658	54,059,679	56,807,008	(2,747,329)
Transportation	6,415,544	6,567,114	5,449,208	1,117,906
Economic environment	5,451,243	4,711,593	4,256,265	455,328
Social services	120,080	1,589,688	1,573,722	15,966
Culture and recreation	327,000	340,417	321,996	18,421
Capital outlays	85,000	577,544	589,226	(11,682)
Interest	10,000	10,000	-	10,000
Total expenditures	97,035,209	98,929,388	99,256,837	(327,449)
Excess resources over expenditures	72,636,323	70,924,336	74,309,445	3,385,109
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	50,747	50,747
Transfers in	463,420	463,420	463,420	-
Transfers out	(73,029,741)	(72,988,538)	(72,530,309)	458,229
Total other financing sources (uses)	(72,566,321)	(72,525,118)	(72,016,142)	508,976
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	70,002	(1,600,782)	2,293,303	3,894,085
Other changes in fund balance				
Fund Balance - beginning	35,132,505	35,132,505	35,132,505	-
Prior Period Adjustment	123,549	123,549	123,549	-
Fund Balance - beginning (restated)	35,256,054	35,256,054	35,256,054	-
Fund Balance - ending	\$ 35,326,056	\$ 33,655,272	\$ 37,549,357	\$ 3,894,085

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Code Enforcement
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ -	\$ -	\$ 19,289	\$ 19,289
Intergovernmental	189,533	189,533	-	(189,533)
Charges for services	830,317	830,317	811,652	(18,665)
Miscellaneous	198,000	198,000	224,894	26,894
Total resources	1,217,850	1,217,850	1,055,835	(162,015)
EXPENDITURES				
Public safety	-	1,903,539	1,697,357	206,182
Transportation	1,786,336	-	-	-
Total expenditures	1,786,336	1,903,539	1,697,357	206,182
Excess resources over expenditures	(568,486)	(685,689)	(641,522)	44,167
OTHER FINANCING SOURCES (USES)				
Transfers in	562,817	562,817	648,323	85,506
Total other financing sources (uses)	562,817	562,817	648,323	85,506
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(5,669)	(122,872)	6,801	129,673
Other changes in fund balance				
Fund Balance - beginning	160,146	160,146	160,146	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	160,146	160,146	160,146	-
Fund Balance - ending	\$ 154,477	\$ 37,274	\$ 166,947	\$ 129,673

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 5	\$ 5	\$ -	(5)
Intergovernmental	-	-	45,126	45,126
Charges for services	26,000	26,000	18,006	(7,994)
Fines and forfeitures	200,000	200,000	146,954	(53,046)
Miscellaneous	53,150	53,150	122,127	68,977
Total resources	279,155	279,155	332,213	53,058
EXPENDITURES				
Culture and recreation	8,260,197	8,385,197	8,201,003	184,194
Capital outlays	1,465,000	1,340,000	935,510	404,490
Total expenditures	9,725,197	9,725,197	9,136,513	588,684
Excess resources over expenditures	(9,446,042)	(9,446,042)	(8,804,300)	641,742
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	500,000	500,000	100	(499,900)
Transfers in	9,003,397	9,003,397	9,003,397	-
Transfers out	(55,906)	(55,906)	(56,996)	(1,090)
Total other financing sources (uses)	9,447,491	9,447,491	8,946,501	(500,990)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,449	1,449	142,201	140,752
Other changes in fund balance				
Fund Balance - beginning	637,048	637,048	637,048	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	637,048	637,048	637,048	-
Fund Balance - ending	\$ 638,497	\$ 638,497	\$ 779,249	\$ 140,752

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Under Freeway Parking
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Miscellaneous	\$ 141,821	\$ 141,821	\$ 159,433	\$ 17,612
Total resources	141,821	141,821	159,433	17,612
EXPENDITURES				
Transportation	206,408	241,178	179,630	61,548
Capital outlays	100,000	100,000	83,467	16,533
Total expenditures	306,408	341,178	263,097	78,081
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(164,587)	(199,357)	(103,664)	95,693
Other changes in fund balance				
Fund Balance - beginning	118,735	118,735	118,735	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	118,735	118,735	118,735	-
Fund Balance - ending	\$ (45,852)	\$ (80,622)	\$ 15,071	\$ 95,693

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Parking Facilities
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
TOTAL	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Other changes in fund balance				
Fund Balance - beginning	390	390	390	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	390	390	390	-
Fund Balance - ending	\$ 390	\$ 390	\$ 390	\$ -

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Improvement Program
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Miscellaneous	\$ -	\$ -	\$ 5	\$ 5
Total resources	-	-	5	5
EXPENDITURES				
Capital outlays	-	4,763	4,763	-
Total expenditures	-	4,763	4,763	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(4,763)	(4,758)	5
Other changes in fund balance				
Fund Balance - beginning	88,812	88,812	88,812	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	88,812	88,812	88,812	-
Fund Balance - ending	\$ 88,812	\$ 84,049	\$ 84,054	\$ 5

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Hope Acquisition
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Miscellaneous	\$ 26,400	\$ 26,400	\$ 1,103	\$ (25,297)
Total resources	26,400	26,400	1,103	(25,297)
EXPENDITURES				
Economic environment	14,650	14,650	24,752	(10,102)
Capital outlays	241,750	241,750	-	241,750
Total expenditures	256,400	256,400	24,752	231,648
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(230,000)	(230,000)	(23,649)	206,351
Other changes in fund balance				
Fund Balance - beginning	441,715	441,715	441,715	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	441,715	441,715	441,715	-
Fund Balance - ending	\$ 211,715	\$ 211,715	\$ 418,066	\$ 206,351

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Housing Trust Grant
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 847	\$ (2,153)
Total resources	3,000	3,000	847	(2,153)
EXPENDITURES				
Economic environment	-	-	266	(266)
Capital outlays	198,000	198,000	-	198,000
Total expenditures	198,000	198,000	266	197,734
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(195,000)	(195,000)	581	195,581
Other changes in fund balance				
Fund Balance - beginning	220,727	220,727	220,727	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	220,727	220,727	220,727	-
Fund Balance - ending	\$ 25,727	\$ 25,727	\$ 221,308	\$ 195,581

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Cumulative Reserve
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
TOTAL	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Other changes in fund balance				
Fund Balance - beginning	22,569	22,569	22,569	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	22,569	22,569	22,569	-
Fund Balance - ending	\$ 22,569	\$ 22,569	\$ 22,569	\$ -

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Emergency Medical Services
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
RESOURCES				
Taxes	\$ 7,570,000	\$ 7,570,000	\$ 7,651,464	\$ 81,464
Licenses and permits	296,500	346,500	350,036	3,536
Intergovernmental	1,031,600	1,843,204	2,623,199	779,995
Charges for services	568,000	1,233,000	1,340,779	107,779
Fines and forfeitures	115,000	215,000	234,600	19,600
Miscellaneous	53,500	97,500	61,899	(35,601)
Total resources	9,634,600	11,305,204	12,261,977	956,773
EXPENDITURES				
General government	632,721	-	-	-
Public safety	44,850,402	47,463,839	48,432,948	(969,109)
Transportation	134,684	-	-	-
Capital outlays	326,517	422,423	358,410	64,013
Total expenditures	45,944,324	47,886,262	48,791,358	(905,096)
Excess resources over expenditures	(36,309,724)	(36,581,058)	(36,529,381)	51,677
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	11,713	11,713
Transfers in	36,100,000	36,295,000	36,295,000	-
Total other financing sources (uses)	36,100,000	36,295,000	36,306,713	11,713
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(209,724)	(286,058)	(222,668)	63,390
Other changes in fund balance				
Fund Balance - beginning	2,266,007	2,266,007	2,266,007	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	2,266,007	2,266,007	2,266,007	-
Fund Balance - ending	\$ 2,056,283	\$ 1,979,949	\$ 2,043,339	\$ 63,390

City of Spokane, Washington
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Eliminations
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget-Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	(45,946,720)	\$ (45,946,720)
Transfers out	-	-	45,946,720	45,946,720
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	-	-
Other changes in fund balance				
Fund Balance - beginning	-	-	-	-
Prior Period Adjustment	-	-	-	-
Fund Balance - beginning (restated)	-	-	-	-
Fund Balance - ending	\$ -	\$ -	-	\$ -

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Spokane
Spokane County
January 1, 2015 through December 31, 2015

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

Finding ref number: 2015-001	Finding caption: The City did not have adequate internal controls in place to ensure accurate reporting of its financial statements.
Name, address, and telephone of auditee contact person: Kim Bustos, Director of Accounting W. 808 Spokane Falls Boulevard Spokane, WA 99201 (509) 625-6020	
Corrective action the auditee plans to take in response to the finding: <i>Although the City experienced a significant vacancy in one of its key positions related to the preparation of the financial statements during fiscal years 2014 and 2015, the City is committed to providing excellent financial reporting. The vacancy of its Chief Accountant position was filled in June 2016.</i> <i>For the preparation of its 2015 financial statements, the City purchased and partially implemented additional software, which has significantly reduced the risk of calculation errors. The City will complete the implementation of the new software during 2016, which will further enhance internal controls and reduce the risk of errors.</i> <i>The City continues to improve its internal control and review processes to improve the reliability of its financial reporting. With the Chief Accountant vacancy filled, the City is diligently working to improve its year end processes to allow for more timely preparation of its financial statements, which will result in significantly improved levels of review.</i>	
Anticipated date to complete the corrective action: December 31, 2016	

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.

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov