



Office of the Washington State Auditor
Pat McCarthy

June 26, 2017

Board of Directors
Spokane Airport Board
Spokane, Washington

Contracted CPA Firm's Audit Report on Financial Statements

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

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

COMPREHENSIVE ANNUAL FINANCIAL STATEMENT

SPOKANE AIRPORT

BOARD

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CREATING A WORLD CLASS AIRPORT EXPERIENCE

"The airport is a major economic engine and a critical transportation hub for the region. It provides a platform to promote economic development and important opportunities for both businesses and employment."





SPOKANE AIRPORT BOARD



Comprehensive Annual Financial Report

For the Years Ending December 31, 2016 & 2015



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With the assistance of the Finance Department

Spokane, Washington

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Introductory Section





Spokane International Airport

BUSINESS PARK AND FELTS FIELD

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May 19, 2017

To the Spokane Airport Board:

The Comprehensive Annual Financial Report (CAFR) of the Spokane Airport Board (Board) for the fiscal year ended December 31, 2016 is hereby submitted to the Board and all others interested in the financial condition of Spokane International Airport, the Airport Business Park and Felts Field. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, of the report rests with the Airport management. To the best of our knowledge and belief, the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

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

The independent auditor, Moss Adams, LLP, has rendered an unmodified ("clean") opinion that the financial statements for the year ended December 31, 2016, present fairly, in all material respects, the financial position, changes in net position and cash flows. Moss Adams also rendered an unmodified opinion regarding the Passenger Facility Charge program in a separate report.

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

Organization

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

The Airport Board consists of seven members appointed by the City and the County. Three Board members are appointed by the City of Spokane, one of which is to be a member of the City Council; three are appointed by the County of Spokane, one of which is to be a member of the Board of County Commissioners; and the seventh is appointed jointly by the City and the County. The Board members receive no salary or compensation for their services, but by resolution of the Board, may be reimbursed for

their actual expenses paid or obligated to be paid in connection with services rendered solely for the benefit of the Board.

The Board employs the Chief Executive Officer, subject to the City and County approval. Employees of the Airport are not considered employees of either the City or the County. The Airport's staff is organized into departments, each managed by personnel appointed by and reporting directly to the CEO. The departments are: Airport Rescue and Firefighting (ARFF), Planning and Engineering, Finance and Accounting, Human Resources, Information Technology, Marketing and Public Affairs, Operations and Maintenance, Parking and Ground Transportation, Police, and Properties and Contracts. The organizational chart that follows this letter reflects the operational structure as of December 31, 2016.

Spokane International Airport (SIA) is located six miles west of the business center of the City. It is the third largest and busiest in the contiguous Pacific Northwest region in terms of passenger traffic, behind Seattle-Tacoma International Airport and Portland International Airport. SIA encompasses 5,650 acres and includes two runways, 3-21 and 7-25, and associated taxiways with a 24-hour FAA operated control tower and U.S. Customs and Border Protection support services. Other services at SIA include cargo handling, aircraft maintenance hangars, aircraft painting facilities, and a fixed-base operator (FBO) for corporate and general aviation that provides fueling operations, storage, and aircraft parking. The Airport Board also owns a fire station, a fuel storage facility, a maintenance building, a snow removal equipment storage building, and other airfield support structures. The Airport Board owns and operates two terminal buildings that handle scheduled passenger airlines as well as two parking structures and 8 other surface parking lots dedicated to passenger and employee use.

The Airport Business Park (ABP) includes approximately 540 acres adjacent to SIA. The ABP is adjacent to Interstate 90, the main east-west interstate freeway from Seattle to the east coast, and includes the region's post office sorting facility, the region's waste-to-energy facility, and a wide variety of corporate offices, recycling, warehousing, manufacturing, and shipping facilities. The Airport Board owns a number of buildings in the ABP, including buildings that make up the Geiger Correction Facility, three separate office complex buildings, one free standing warehouses, as well as a maintenance facility. Efforts to prepare property for future aeronautical and commercial development resulted in the Airport removing functionally obsolete structures during 2016.

Felts Field (FF) designated as a general aviation reliever airport for SIA, is located approximately four miles east of the City's business center, allowing general aviation operations to be located away from larger / high-performance corporate, commercial passenger and air cargo aircraft operations at SIA. It encompasses roughly 400 acres of land and is used primarily for general aviation, flight instruction and aviation maintenance schools, aircraft maintenance, and charter services. The facility is also headquarters to a regional Medevac flight operation. Felts Field also has an Airport Traffic Control Tower that is part of the Federal Contract Tower program. The site contains 75 separate buildings, seventeen of which are owned by the Airport. The airport owned buildings include six aircraft storage hangar buildings, one general storage building, three office buildings, the terminal building and adjacent clock tower, two restroom facilities, an airfield electrical vault, and an airfield maintenance facility. The FAA's Flight Standards District Office (FSDO) is located in one of the office buildings. There are one hundred sixty one (161) fixed-wing and fifteen (15) rotary aircraft based at Felts Field.

Economic Conditions and Outlook

Local Population and Economy

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

The total estimated population of the four counties making up the CSA is approximately 700,000. The City of Spokane is the second largest city in the state of Washington behind only Seattle and the third largest in the American portion of the Pacific Northwest, behind Seattle and Portland, Oregon. Additional

demographic information about SIA's primary service area, as well as its secondary service area, may be found in the statistical section of this report.

Spokane's economy revolves around the following industries: Military, Health Care, Government Services, Manufacturing, Information Technology, Aerospace, Banking and Financial Services and the Service Industries. The single largest employer in Spokane County is Fairchild Air Force Base with 6,000 Full Time Equivalent Employees (FTEs) followed by Providence Health Care of Eastern Washington with 5,326 FTEs. The largest employer in Kootenai County, Idaho is Kootenai Health with 2,359 FTEs.

Air Travel Industry Recap and Future Outlook

In its December 2016 Economic Performance of the Industry report, the International Air Transport Association (IATA) forecast global spending on air transport to be \$769 billion in 2017, ahead of both 2015 and 2016 results. Also affecting global spending is the increase in the number of destinations provided by air carriers. The number of unique city pairs will exceed 18,000 in 2017, almost double that of twenty years ago. Even with positive forecasts, there is still uncertainty surrounding the reversing of falling oil prices, the impact of Brexit and potential new policies of a new United States President and Congress.

According to IATA, the North American airlines show the strongest financial performance when compared to other regions. 2015 post-tax profit for the North American region came in at \$21.5 billion, ahead of 2014's \$11.2 billion and ahead of last year's 2015 forecast of \$19.4 billion. Preliminary 2016 year end results show net post-tax profit of \$20.3 billion and the forecast for 2017 is \$18.1 billion. The 2017 net profit estimate equates to \$19.58 per passenger. These net profits continue to be driven by consolidations, ancillary fees such as bag and ticket change charges which are limiting the impact of fuel costs. With the increases in profit the breakeven load factors are below 56% while actual load factors are rising above 80%.

Airlines for America (A4A), the industry trade organization for the leading airlines in the U.S., mirrors much of what IATA reports. In an industry review and outlook presentation issued in February 2017, A4A presents a decrease in round-trip airfares of 7% since 2014 while ancillary fees continue to add an average of \$22 per round-trip fare. After setting multiple traffic and capacity records in 2015, capacity in 2016 outpaced passenger traffic reducing load factors slightly to 83.5%. In 2016, domestic available seats were up over 2015 by 3.8%, while enplaned passengers increased 3.2%. According to A4A, in 2015 the breakeven load factor was 66.8%, higher than reported by the more globally oriented IATA statistic.

In its Aerospace Forecast for Fiscal Years 2017 - 2037, the Federal Aviation Administration (FAA) portrays an optimistic view of the airline industry to one of sustainable profits. The FAA also mentions the continued trend of profitability by US passenger airlines. Stable demand and lower energy prices contributes to record profits for U.S. airlines. The airline industry has become better in adjusting capacity and in seizing opportunities to minimize losses. The strategy for developing additional revenue streams for services that used to be included in airfare continues. Many trade and business publications continue to announce record collections of ancillary fees such as bag and flight change fees.

The FAA report states the commercial air carrier industry shows three distinct trends: industry consolidation and restructuring, continued capacity discipline, and the proliferation of ancillary revenues. In terms of consolidation and restructuring, there are now only four dominant airlines in the U.S. (American, Delta, Southwest and United) controlling approximately 76% of the U.S. market. All four of these air carriers, along with Alaska, service Spokane.

Looking ahead, the 2017 FAA forecast calls for US air carrier passenger growth over the next twenty years to average 1.9% per year, slightly slower than the 2016 forecast. As efforts continue in Congress to pass longer term FAA reauthorization bills, the airport industry, particularly small and non-hub airports, remain exceedingly concerned about cost shifts from other agencies to airports and methods of financing capital improvements in order to address ongoing safety, security, and capacity needs. In addition, the administration's attempt in 2013 to close the nation's federally contracted Air Traffic Control Towers and more recent efforts to close 57 sites in the Contract Weather Observer program, including Spokane, has created a sense of urgency to ensuring airport needs are met in the next FAA Reauthorization bill.

Spokane's specific interests are wide ranging: modernization of the PFC program, protection of the Airport Improvement Program, Alternative Minimum Tax (AMT) effects of some financing mechanisms, the Small

Community Air Service Development Program, pilot shortages, privatization of air traffic control, the Contract Weather Observer program, the impacts of Unmanned Aviation Systems (UAS) or Vehicles (UAV) and general FAA regulatory overreach.

Air Service

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



The Airport's primary air service objectives include retaining all existing scheduled passenger service and adding new nonstop service, increasing operations (take-offs / landings) and capacity (seats) in existing markets and to add new and existing destinations through incumbent and new entrant carriers. As of December 31, 2016, there were five airlines providing regularly scheduled services at SIA: Alaska Airlines (including Horizon), American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines. In 2016, Alaska carried 41.9% of enplaned passengers (up from 41.6% in 2015); Delta carried 24.0% (up from 23.3%), Southwest carried 23.6% (down from 23.7%), United carried 6.6% (down from 6.7%), and American carried 3.7% (down from 4.6%).

During 2016, twelve destination airports were served nonstop from SIA, including Boise, Denver, Las Vegas, Los Angeles, Minneapolis, Oakland, Phoenix, Portland, Salt Lake City, and Seattle-Tacoma, along with seasonally served Chicago-Midway and Anchorage in the summer months.

SIA staff work diligently in maintaining customer service while attempting to retain and expand existing service and attract new routes. Delta's daily non-stop service to Los Angeles International (LAX) continued to be an integral part of the schedule due to the success of the route in 2016. Delta continued offering numerous scheduled flights to and from Seattle International (SEA) and appears to be continuing the flights in 2017.

With the changes in seat capacity and destinations, SIA's 2016 total passenger count increased 3.2% over 2015 to 3,234,095. This increase followed the 4.9% increase in 2015 over 2014.



Continuing the trend of increasing flights and capacity in Spokane, early in January 2017 Southwest Airlines announced Monday through Friday flights to San Diego International Airport beginning on June 4. In February, United Air Lines announced adding once daily service to Chicago's



O'Hare International and twice daily flights to San Francisco International. Both of these routes will begin on June 8, 2017. In March, American Airlines announced plans to operate one flight daily to Dallas-Ft. Worth International Airport beginning July 5, 2017. In April, Southwest Airlines announced daily, nonstop service to Sacramento beginning August 1, 2017. The new American, United and Southwest to Sacramento flights will be operated on a year round basis.

With these announcements, the number of non-stop cities served will increase from twelve to sixteen. Additionally, SIA serves 370 domestic and 65 international cities with only one stop. The addition of these new flights increases the number of available seats by over 7% beginning in the month of June. The Airport continuously develops marketing strategies to attract air service to new destinations from existing or new carriers. Routes targeted for non-stop service include Atlanta, Calgary, and year-round San Diego service.

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

Major Initiatives

Capital Improvement Program

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

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

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

Fiscal Year 2016 Substantially Completed Projects at SIA:

Project	Cost	Funding Source(s)
Parking Operations Garage	\$ 1.9 M	General Airport Revenues
Terminal Renovation Planning Study	1.9 M	PFC
Flint Road Realignment	1.8 M	General Airport Revenues & CFC
Vehicle and Equipment Additions	825,000	General Airport Revenues
Terminal Building Improvements	504,000	General Airport Revenues
Other Airport Drive Improvements	790,000	General Airport Revenues
Other Parking Improvements	390,000	General Airport Revenues
IT & Software Acquisitions	283,000	General Airport Revenues
Other Buildings and Grounds Improvements	153,000	General Airport Revenues
Other Airfield Improvements	138,000	General Airport Revenues

Fiscal Year 2016 Substantially Completed Projects at Airport Business Park

Project	Cost	Funding Source(s)
Building Improvements	\$ 443,000	General Airport Revenues & Insurances

Fiscal Year 2016 Substantially Completed Projects at Felts Field:

Project	Cost	Funding Source(s)
Taxiway & Taxilane Rehabilitation	\$ 7.4 M	AIP - General Airport Revenues
Building Improvements	84,000	General Airport Revenues

Fiscal Year 2016 CIP at SIA and Felts Field - Continuing and Budgeted New Projects:

Project	Estimated Cost	To-Date Costs Incurred	Funding Source(s)
Airport Security Projects - SIA	\$ 11.0 M	\$ 65,000	PFC
Rehabilitation of Apron Areas - SIA	6.8 M	716,000	AIP - General Airport Revenues
Car Rental Improvements - SIA	6.0 M	0	CFC
In-Line Baggage Explosive Detection System Upgrades - SIA	4.5 M	347,000	TSA Other Transactional Agreement
Terminal Elevator Upgrade - SIA	2.1M	136,000	PFC
C-Store Site Improvements - SIA	1.6 M	183,000	General Airport Revenues
Equipment Purchases - SIA & ABP	1.6 M	-	General Airport Revenues
Land Acquisitions - FF	700,000	37,000	General Airport Revenues
Master Plan - FF	660,000	-	AIP - General Airport Revenues
Future Aircraft Fuel Facility Site - FF	550,000	28,000	General Airport Revenues

Major Maintenance Program

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

The practice of deferring maintenance along with buildings reverting to the Airport after long-term leases contributed to planned demolition of several functionally-obsolete buildings in the past two years in an effort to create strategic space for future development and reduce operating expenses. During 2016, the Airport removed two buildings at SIA and ABP after removing seven in 2015. The only significant maintenance projects at SIA related primarily to crack sealing of taxiways and rehabilitating and repairing airfield perimeter roads.

Federal and State Funding

The Airport is a recipient of funds from the FAA's Airport Improvement Program (AIP), which provides grants from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grant amounts received under this program in fiscal year 2016 totaled \$381,000 for SIA and \$5.1 million for Felts Field. Projects ongoing at SIA have an additional \$5.1 million, committed by the FAA for fiscal year 2017. Continuing Other Transactional Agreements (OTA) with the Transportation Security Administration have \$4.5 million committed over the next year for upgrades to the In-Line Baggage Explosive Detection System noted above.

Passenger Facility Charge (PFC) Program

A PFC is a local user fee paid by passengers to generate revenues for airport projects that preserve or



enhance safety, security and capacity, or enhance competition among and between air carriers or mitigate noise impacts. Airports using PFCs must apply to the FAA and meet specific requirements set forth in the enabling legislation. Airport operators may impose PFCs only after receiving written approval and authorization from the FAA.

The Airport first utilized the PFC Program in 1993 under the terms of its initial PFC application (93-01-C-GEG) approved by the FAA. PFC Applications 93-01-C-GEG through 11-09-C-GEG have been closed. As

of December 31, 2016, the Airport has only PFC Application 10 open. The Airport has been authorized to collect \$134,678,692 and has used \$121,677,590 in PFCs to fund 48 individual projects since the inception of the program. An amendment to PFC Application 10 began in February 2017 to increase the amount authorized for the projects included in the application. Work began on preparing Application 11 in early 2017 and is anticipated to be approved in the third quarter of 2017 extending the collection period into the period ensuring continued completion of important projects. The current PFC, set at a maximum of \$4.50 per enplaned passenger, is expected to continue generating between \$5 million and \$6 million annually and is anticipated to be dedicated for improvements to the passenger terminal buildings.

Leasing and Business Development Activity

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

Eight rental car brands operate on-site providing services to travelers. A new lease and concession agreement with the agencies was completed in 2012 for a five-year period which will expire September 30, 2017.

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

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

As of year-end, SIA currently has a Fixed Base Operator (FBO), operating as Signature Flight Support. During 2016, Signature's parent company BBA Aviation completed the acquisition of the former FBO, Landmark Aviation.

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

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

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

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

The FBO at Felts Field is Western Aviation. Western moved its operation to a new 40,000 square foot building constructed in 2015 using private funding. Western provides aircraft maintenance and fuel dispensing. Northwest Flight School and Aircraft Solutions, after re-locating from SIA, provides flight school training, as well as aircraft and avionics maintenance services and leases facilities from Western Aviation. Spokane Turbine Center (STC) leases land for their two buildings where they operate a private aircraft maintenance school and pilot training center. A for-profit subsidiary of STC, Parkwater Aviation, provides recurrent pilot training on Quest Aviation's Kodiak turbo-prop driven aircraft for Federal agency and corporate aviators. Both Western Aviation and Spokane Turbine Center have been expanding their facilities and operations. Rocket Engineering provides aircraft modification services. Inland Helicopters provides flight services and pilot training. Life Flight Network operates the region's premier critical care transport service. In 2016, Life Flight Network acquired Inland NW Health Services (INHS) operations of Northwest MedStar. The Community Colleges of Spokane operates an aviation maintenance program out of two buildings with airfield access at the airport.

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

Customer Service

Airport management and staff are focused on providing excellent customer service. The Airport regularly utilizes on-site passenger surveys and "secret shoppers". These surveys and input from the secret shoppers indicate that on-going enhancements to the passenger experience are needed at the airport. Each year since 2012 the airport has added programs to improve the passenger experience. Fiscal year 2016 saw continued focus with the following customer service initiatives at SIA: The final piece of the Parking Operations Complex, an operations vehicle storage garage, was connected to the Parking Office Building. The parking office is located next to the touch-less car wash near the exit from the covered parking and main surface lots and provides one, easy to locate, location for travelers to conduct parking business. The following is a list of customer service projects that were under taken in 2016:

- Ground Transportation Rules and Regulations were refined for the purpose of continuing to enhance service standards and vehicle-for-hire choices for customers.
- Public restrooms were added to the cell-phone waiting lot where an electric vehicle quick charge station is located.
- With recent enhancements to the parking and ground transportation operations, the Airport earned a top ranking among small hub airports from Phoenix Marketing International for accessibility to the terminal and convenience of parking.
- Flint Road, which provides access to Hotels, the Economy Parking Lot and the Rental Car Return facility, was rehabilitated and re-aligned to provide safer access to those areas. Signage to the Rental Car Return area was improved to assist in way-finding.
- 2017 will see the addition of Parking Pay Stations at three locations in the terminal where those using Airport lots will be able to pay, with a credit card, for their parking before going to their car, expediting the parking lot exit process.

Community Involvement and Partnerships

SIA is a major economic engine and a critical transportation hub for the region. As such, it provides important opportunities for both businesses and employment. Strategic partnerships combined with

sustained and consistent communication of the Airport's current and future plans, programs, and economic development potential is critical to our success.

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

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

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

Financial Policies and Practices

Internal Control Environment

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

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

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

Budgetary Controls

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

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

The air carriers utilizing SIA pay for facilities and operations space rents based on square footage leased or services used along with landing fees collected for each landing.

Long-Term Capital Financing and Debt Management

One of the tools the Airport uses for long-term planning is the Master Plan. A Master Plan update was approved by the FAA on November 7, 2014 with the acceptance of the Airport Layout Plan (ALP). The ALP is developed to meet FAA approved demand forecasts in airfield, landside, and terminal facilities, typically looking twenty years or more into the future. It was prepared with the input of the board, staff, signatory airlines, other key tenants and stakeholders, community leaders, and the general public. The Master Plan consists of a technical report that specifies the logic and reasoning for the proposed capital improvements shown generally on the ALP. Included in this ALP is the area including the Airport Business Park. The FAA uses the ALP to assist in awarding funding for future projects through the AIP or PFC programs.

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

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

Capital improvements requiring long-term financing are typically funded using either general airport revenues or airport revenue bonds. The Airport is not permitted to issue bonds on its own; rather the joint approval of the City and the County is necessary. The actual bonds are then issued by Spokane County. Capital financing strategies are part of the Master Plan development process as projects outlined become clear. The Airport did not issue any new long term debt in 2016 and is pursuing opportunities to redeem and decess bonds currently outstanding.

Capital projects for fiscal year 2016 were financed through a combination of FAA grants, PFC funds, CFC funds, TSA's Other Transactional Agreements (OTA), and internal financing from unrestricted funds. Future capital planning will involve continued use of FAA and state grants, TSA OTAs, bonding opportunities, the use of long and short-term financing, and internal funds. Detailed information on long-term debt may be found in the financial section (Note 6) of this report

Acknowledgements

The publication of this CAFR is a reflection of the level of excellence and professionalism of the Airport's Finance and Accounting Department. The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Spokane Airport Board for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the fifth year in a row the Airport achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

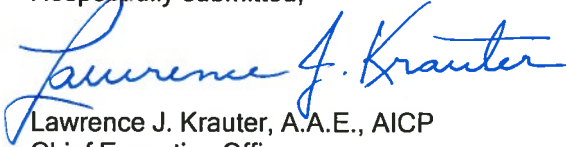
A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Requests for Information

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

Respectfully submitted,



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



David R. Armstrong, CPA
Director of Finance



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Spokane Airport Board
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Executive Director/CEO

Spokane Airport Board



MAX KUNEY
CHAIRMAN



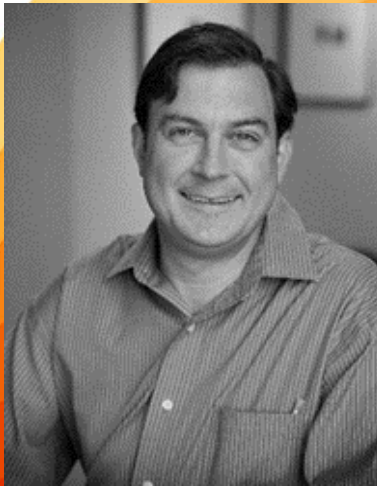
COLLINS SPRAGUE
VICE CHAIR



NANCY VORHEES
SECRETARY



EZRA ECKHARDT



BEN STUCKART



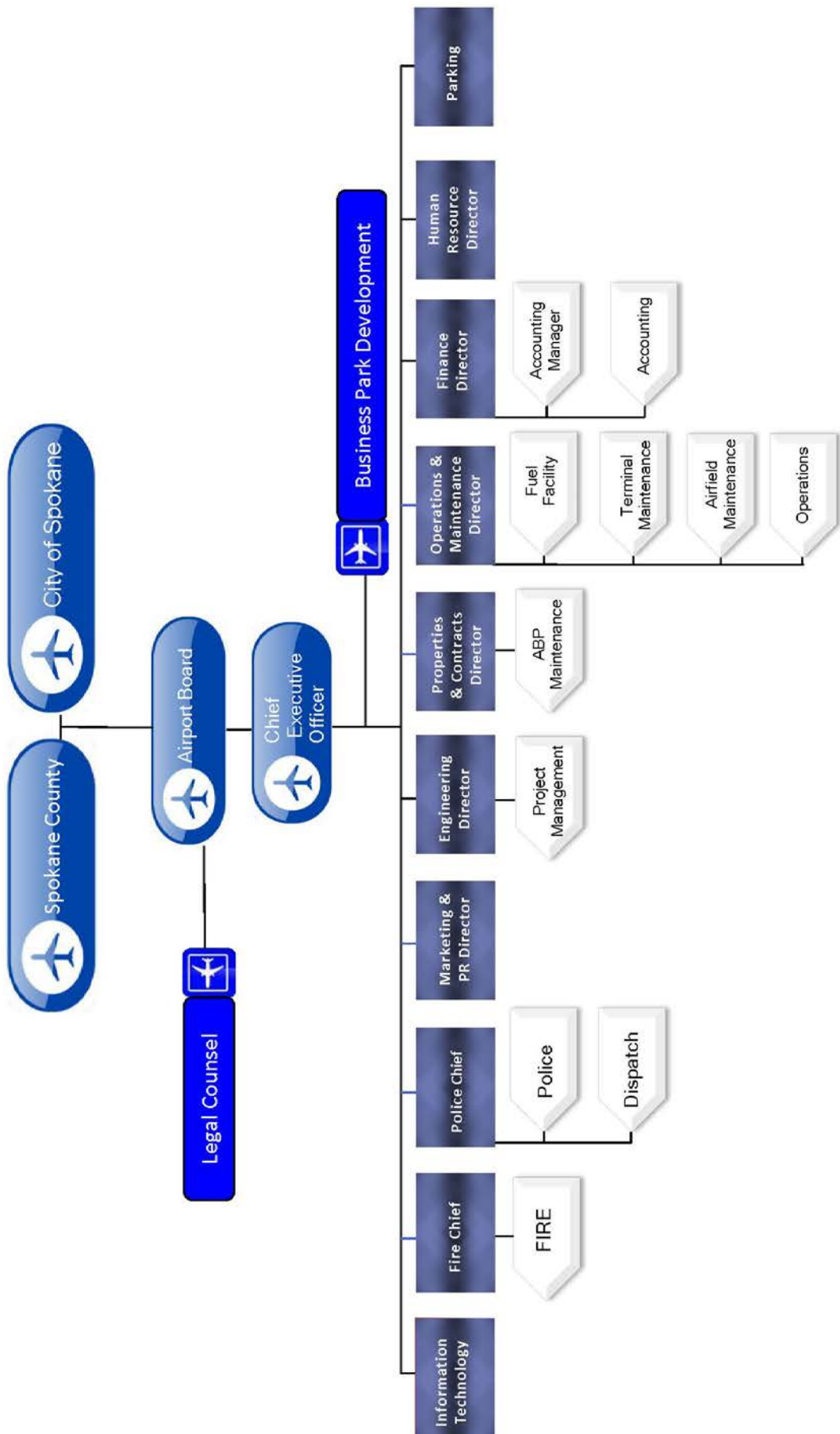
SHELLY O'QUINN



JENNIFER WEST

SPOKANE AIRPORT BOARD

ORGANIZATIONAL REPORT



Financial Section



REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Spokane Airport Board

Report on the Financial Statements

We have audited the accompanying financial statements of Spokane Airport Board (Airport), a joint venture of the city of Spokane, Washington, and Spokane County, Washington, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REPORT OF INDEPENDENT AUDITORS

(continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport as of December 31, 2016 and 2015, and the respective changes in its net position and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Pension, and Other Postemployment Health Care Benefits on pages 19 through 28 and 66 through 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

REPORT OF INDEPENDENT AUDITORS
(continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2017, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Airport's internal control over financial reporting and compliance.

Moss Adams LLP

Spokane, Washington
May 19, 2017

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the activity and financial performance of Spokane International Airport (SIA), the Airport Business Park (ABP), and Felts Field, collectively known as the Spokane Airport Board or the Airport. It serves as an introduction to, and provides understanding of, the basic financial statements for the year ended December 31, 2016, with selected comparative information from the years ended December 31, 2015 and December 31, 2014.

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

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

AIRPORT ACTIVITIES AND HIGHLIGHTS

Passenger, Operations and Cargo Highlights:

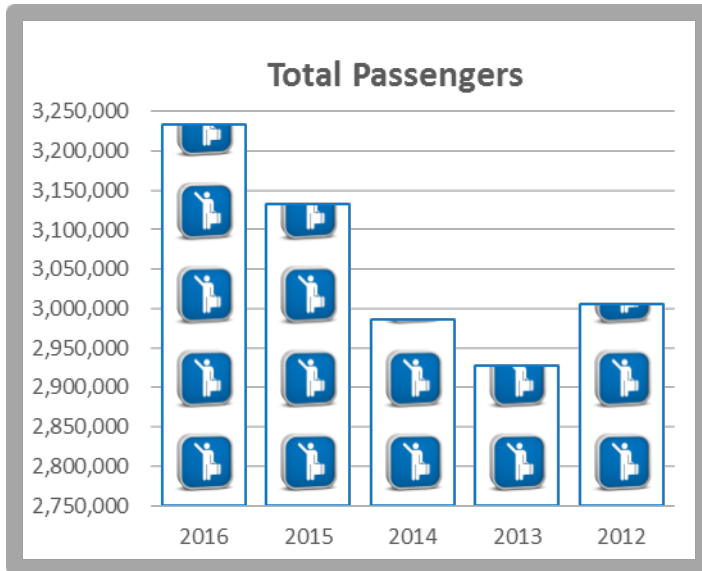
The principal services provided by the Airport have been related to passenger origin and destination traffic. The Airport is defined by the FAA as a small air traffic hub, an Airport which handles between 0.05 percent and 0.249 percent of the enplaned passengers by U.S. air carriers nationwide. According to the latest available data from the Federal Aviation Administration, SIA ranks as the 71st busiest US airport for passengers and 54th busiest in terms of cargo. In 2015 the Airport ranked 70th in total enplanements and 48th in total cargo weight.

Traditionally, general aviation activity is somewhat volatile and difficult to predict due to many factors such as weather, fuel costs, and the number of local events. In 2015 there was significant construction at Felts Field with the refurbishing of the turf runway and the ramp work that may have affected the local users. Local operations rebounded in 2016 to prior levels with the construction moving away from the central airfield and commercial areas. Also in 2016, the Northwest Flight School relocated from SIA to FF, increasing local operations.

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

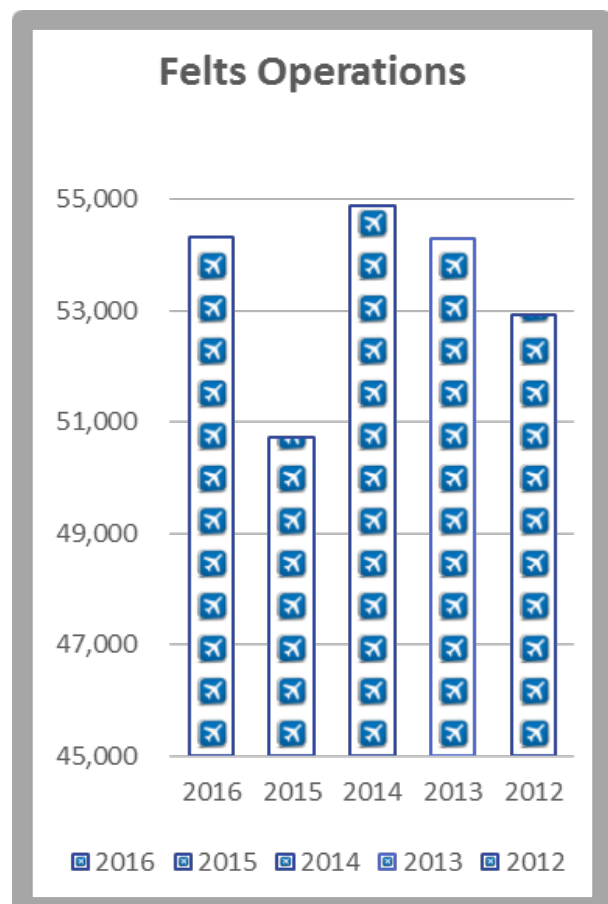
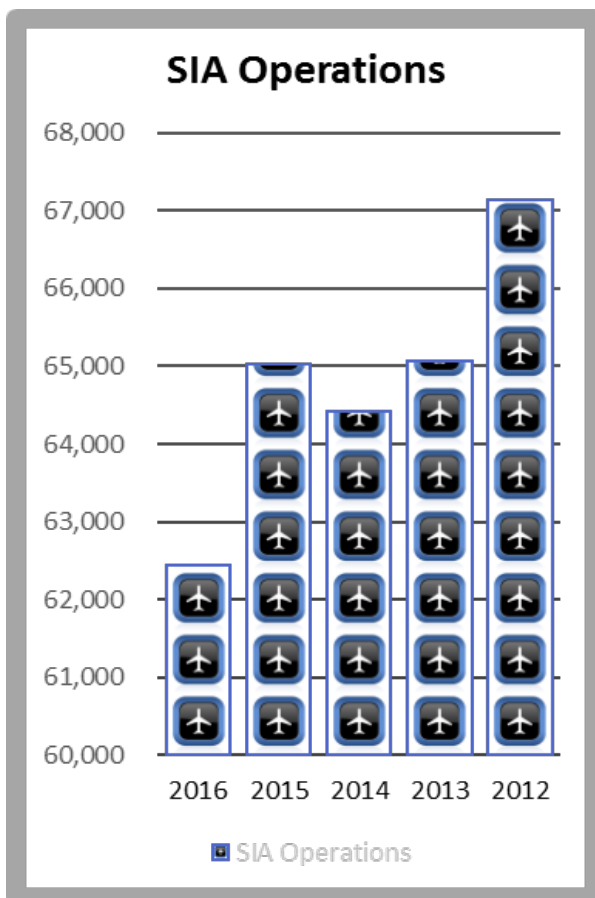
Summary of Operations	2016	2015	2014
Total Passengers	3,234,095	3,133,342	2,986,652
SIA Cargo (tons)	67,525	66,375	65,619
Felts Field Cargo (tons)	152	95	42
SIA - Operations	62,439	65,032	64,409
Felts Field - Operations	54,313	50,729	54,881

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

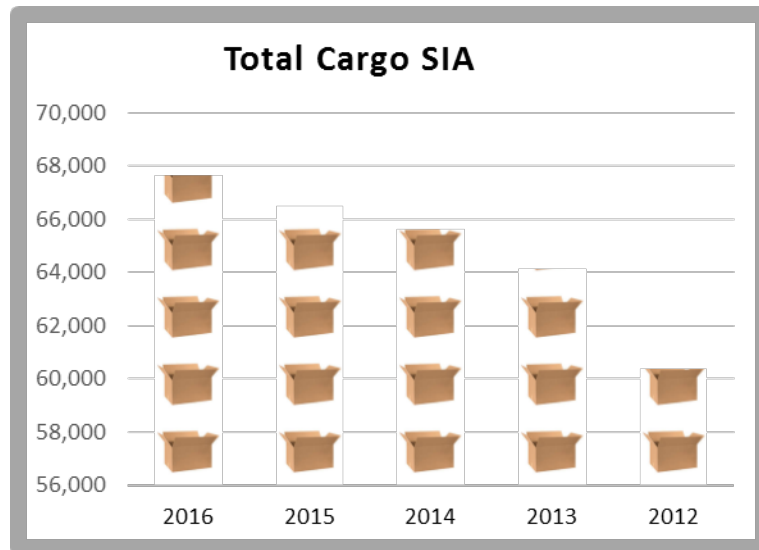


Passenger traffic in Spokane in 2016 showed the third year in a row increase over the prior year, although still lagging the highest year of 2007. The Inland Northwest has a tendency to be insulated from wild swings in passenger traffic, and as a result, 2016 posted a 3.2% increase over 2015 to 3,234,095 total passengers following the 4.9% increase in 2015 over 2014.

The year 2016 saw a 4.0% decrease in operations (takeoffs and landings) at SIA from 2015 for a couple of reasons. Airlines continued to adjust their fleet mix and capacity landing fewer, but larger capacity, aircraft. The increase in available seats due to this change in aircraft mix by air carriers led to the increase in total passengers in 2016. In addition, a general aviation flight school moved its operations from SIA to Felts Field; consequently, operations at Fields Field increased 7.1% in 2016 over 2015. Combining both airports, operations were up .9% in 2016.



SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS



Mail and cargo traffic continues the positive trend shown at SIA in recent years with an increase in 2016 over 2015 following the increase in 2015 over 2014. These increases are due primarily to the increase in freight activity handled by United Parcel Service. Cargo traffic at Felts Field increased in 2016 following an increase in 2015. Combining mail and cargo for the two facilities shows overall increases of 1.8% in 2016 and 1.2% in 2015.

FINANCIAL STATEMENTS

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

The Airport is structured as a single enterprise fund with revenues recognized when they are earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and depreciated, except land and construction in progress, over their useful lives. Please refer to Note 1 to the financial statements for a summary of significant accounting policies.

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

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

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

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

The *Statement of Cash Flows* compares the operating results of 2016 to 2015 with the associated inflows and outflows of cash and cash equivalents. A reconciliation is provided within the statement to assist in understanding the effects on cash related to different activities.

During fiscal year 2015, the Airport implemented GASB Statement No. 68, *Accounting and Financial Report for Pensions - An Amendment of GASB Statement No. 27*. Accordingly, certain amounts reported within the financial statements and in this management’s discussion and analysis have been restated for the application of the new accounting principle. See Note 1 and Note 8 to the financial statements for additional information.

**SPOKANE AIRPORT BOARD
MANAGEMENT DISCUSSION AND ANALYSIS**

Below is a Summary of the Statement of Net Position:

Summary Schedule of Net Position	2016	2015	2014 ¹
Current Assets	\$ 35,261,154	\$ 37,117,418	\$ 42,960,697
Noncurrent Assets			
Other Noncurrent Assets	19,997,073	13,977,546	6,466,560
Capital Assets	263,714,060	270,723,339	271,533,942
Total Assets	318,972,287	321,818,303	320,961,199
Deferred Outflow of Resources - Pensions	1,231,285	603,135	292,965
Current Liabilities	6,782,113	8,100,546	8,664,497
Noncurrent Liabilities			
Other Noncurrent Liabilities	12,437,263	11,496,951	10,993,570
Bonds and Other Long-Term Debt	8,865,616	11,546,038	14,390,997
Total Liabilities	28,084,992	31,143,535	34,049,064
Deferred Inflow of Resources - Pensions	195,476	1,018,778	2,136,654
Net Position			
Net Investment in Capital Assets,	251,866,707	256,084,993	253,547,618
Restricted	23,170,196	17,228,070	10,559,373
Unrestricted	16,886,201	16,946,062	20,961,455
Total Net Position	<u>\$291,923,104</u>	<u>\$290,259,125</u>	<u>\$285,068,446</u>
¹ This year has been restated to reflect the adoption of GASB 68			

Assets:

Current Assets decreased in both 2016 and 2015. The decrease in 2016 is due primarily to a decrease in receivables from government agencies, the majority of which is the Federal Aviation Administration grant receivables. The decrease in 2015 relates to a decrease in unrestricted cash and short term investments along with a decrease in receivables from government agencies.

Other Noncurrent Assets increased in both 2016 and 2015. The increase in both years results from increases in restricted cash being held for future projects, namely Passenger and Customer Facility Charges.

Capital Assets decreased in 2016 after also decreasing in 2015. The decreases are primarily a result of increasing depreciation charges due to the significant capital asset additions in the recent past years. The increase in accumulated depreciation is somewhat offset by the increase in new capital asset additions and construction in process. Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements. Information regarding future commitments relating to capital projects can be found in Note 13 and 17.

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Total Assets, combining the changes in the component assets, decreased less than 1% in 2016 and increased less than 1% 2015. These decreases and increase are a net result of the changes in current and capital assets offset by smaller changes in other noncurrent assets.

Deferred Outflows increased in 2016 over 2015. 2015 was the first year of implementation of GASB Statement No. 68, *Accounting and Financial Report for Pensions - An Amendment of GASB Statement No. 27* caused the recording of Deferred Inflows and Outflows of Resources. The increases in 2016 and 2015 relate entirely to variances from actuarial assumptions in the Washington State pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Liabilities:

Current liabilities decreased in both 2016 and 2015. Both years' decreases are attributable to decreases in all payables due at year end, including general and construction amounts payable.

Other noncurrent liabilities increased in both 2016 and 2015 related predominantly to an increase in the Other Post-Employment Benefits of retired LEOFF Plan 1 fire fighters along with a reduction related to Environmental Liabilities.

Long term debt showed decreases in 2016 and 2015 through normal repayment of debt service activity in those two years. The Airport issued no new long term debt in either 2016 or 2015. Additional detailed information regarding long term debt activity may be found in Note 6 to the financial statements.

Total liabilities decreased in both 2016 and 2015. The decreases are due primarily to the reduction in long term debt coupled with the reduction in current liabilities offset somewhat by the increases in other non-current liabilities.

Deferred Inflows decreased in 2016 over 2015. 2015 was the first year of implementation of GASB Statement No. 68, *Accounting and Financial Report for Pensions - An Amendment of GASB Statement No. 27* caused the recording of Deferred Inflows and Outflows of Resources. The decreases in 2016 and 2015 relate entirely to variances from actuarial assumptions in the Washington State pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Net Position:

The Airport's assets and deferred outflows exceed liabilities and deferred inflows at the end of 2016 by \$291.9 million, an increase over the \$290.3 million in 2015. 2015 showed an increase over the \$285.1 million in 2014.

The largest portion of the Airport's net position, \$251.9 million in 2016, \$256.1 million in 2015, and \$253.5 million in 2014 represents the net investment in capital assets (e.g. land, buildings, machinery, and equipment net of related debt). The changes from year to year correspond to the increase in capital assets for the same years. See the discussion above under the Assets and Liabilities section and Note 5 to the financial statements for additional information on capital asset activity.

An additional portion of the total net position, \$23.1 million in 2016, \$17.2 million in 2015, and \$10.6 million in 2014 represents resources that are subject to restrictions from government grantors, bond resolutions, other third party agencies or State and Federal regulators on how those resources may be used. The increases in 2016 over 2015 and 2015 over 2014 are due primarily to the increases in the amount of PFC and CFC amounts held for future projects (i.e.: authorized collections are currently running ahead of project expenses). The amount of restricted Net Position does not affect the availability of other resources for future use.

The portion of total net position unrestricted remained basically unchanged in 2016 after a few years of planned decreases in unrestricted cash the Airport has available. The decrease shown in 2015 compared to 2014 was primarily related to those planned decreases. The unrestricted Net Position may be used for any lawful purpose of the Airport.

**SPOKANE AIRPORT BOARD
MANAGEMENT DISCUSSION AND ANALYSIS**

The table below summarizes the effect of revenues and expenses on Net Position for the three years ended, December 31, 2016, 2015, and 2014.

Summary of Revenue and Expenses	2016	2015	2014 ¹
Operating Revenue	\$ 33,095,987	\$ 30,236,523	\$ 27,836,397
Operating Expense	24,468,440	22,517,625	21,398,781
Operating income before depreciation	8,627,547	7,718,898	6,437,616
Depreciation expense	22,266,977	20,554,491	18,176,458
Operating income (loss)	(13,639,430)	(12,835,593)	(11,738,842)
Nonoperating Income (Expense)	9,644,980	9,199,025	8,497,839
Increase in Net Position before Capital	(3,994,450)	(3,636,568)	(3,241,003)
Capital Contributions and Grants	5,658,429	8,827,247	18,128,544
Increase in Net Position	1,663,979	5,190,679	14,887,541
Net Position, beginning of year, as previously stated	290,259,125	285,068,446	274,042,734
Cumulative effect of adoption of GASB 68			(3,861,829)
Net Position, beginning of year	290,259,125	285,068,446	270,180,905
Net Position, end of year	\$ 291,923,104	\$ 290,259,125	\$ 285,068,446
¹ This year has been restated to reflect the adoption of GASB 68			

Total operating revenues in 2016 of \$33.1 million represents an increase over 2015 while total operating revenues in 2015 of \$30.2 million increased over 2014 operating revenue. The primary drivers of the increases in both years were airfield landing fees, parking operations, and terminal revenues.

Total operating expenses prior to depreciation in 2016 were \$24.5 million, an increase over 2015. 2015 had expenses of \$22.5 million, an increase over 2014. The increase in 2016 over 2015 was due to planned increased in all areas to accelerate maintenance items previously deferred in prior years, including those in projects originally planned in 2015 and 2014.

Non-operating income and expense increased in both 2016 and 2015 relates to a decrease in interest expense along with increases in most non-operating revenues notably interest income and the collection of CFCs and PFCs. Capital contributions and capital grant revenue of \$5.7 million in 2016 is a decrease from \$8.8 million in 2015, which was also a decrease from the \$18.1 million in 2014. These fluctuations in revenue is representative of the nature and timing of federal grant funding as the amount of discretionary grant revenue can vary greatly from year to year depending on the projects being planned, funded and constructed.

**SPOKANE AIRPORT BOARD
MANAGEMENT DISCUSSION AND ANALYSIS**

Revenues:

Below is a summary of revenue for the three fiscal years ended December 31, 2016, 2015, and 2014:

Summary of Revenues	2016	2015	2014
Operating Revenues:			
Airfield	\$ 5,352,771	\$ 4,474,681	\$ 3,967,783
Passenger terminal	12,163,996	11,549,505	10,971,883
Leased buildings	2,937,847	2,678,422	2,243,089
Leased areas	2,036,034	1,997,955	1,916,875
Parking	10,239,333	9,413,381	8,617,186
Other	366,006	122,579	119,581
Total Operating Revenue	33,095,987	30,236,523	27,836,397
Nonoperating Income:			
Interest income	739,299	501,573	432,246
Gain on disposal of assets	-	9,270	89,315
Transaction fee	3,191,471	3,090,745	2,738,343
Passenger facility charges	6,223,821	5,989,211	5,721,871
Other grant revenue	303,208	331,051	381,572
Total Nonoperating Income	10,457,799	9,921,850	9,363,347
Total	<u>\$43,553,786</u>	<u>\$40,158,373</u>	<u>\$37,199,744</u>

Airfield revenue increased in 2016 due to the increase in landing fees charged to the air carriers along with increased landed weights. The increase in 2015 was due to an increase in landing fees charged to air carriers along with increased landing weights.

Passenger terminal revenue showed an increase in 2016 after a similar increase in 2015 over 2014. Both years' increase is primarily a result of the increase in traffic affecting concession revenues such as rental cars, food, beverage, and retail sales. The increase in 2015 is primarily a result of an increase in the terminal rent rate along with the increase in concession revenue as a result of increased passenger traffic.

Building and hangar leasing revenue increased in 2016 and 2015. The increase in 2016 is attributable to an increase in ABP building rents. The increase in 2015 is related primarily to structured rent rate increases at certain buildings after the initial term of the leases, an adjustment to rental car facility rates along with an ABP tenant increasing their leased area.

Land leasing revenue activity increased in both 2016 and 2015. The increase in 2016 is primarily related to increases in on-Airport hotel activity and in both 2016 and 2015 there were programmed rate increases related to land leases contributing to the increase year over year.

Parking revenue increased by 8.8% in both 2016 and 2015. The 2016 increase is due primarily to a combination of increased passenger traffic and continued marketing and education efforts. Marketing efforts began in 2015 drawing attention to a car wash that is accessible from the two garages and one of the surface lots. Also contributing to the 2015 revenue increase was a small rate increase in the areas accessing the car wash, along with increased passenger traffic.

Non-operating revenue increased in both 2016 and 2015. The primary drivers in both years were increases in CFC and in PFC revenue, directly related to increased passenger activity. The CFC and PFC are restricted to specific uses and are not used to fund operations.

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Also included in non-operating income is interest revenue and non-capital grant revenue. Interest income increased in 2016 and 2015. These increases relate to higher balances in the restricted accounts holding Transaction Fees and PFCs for future approved projects. Non capital grant revenue is predominantly related to grants issued for law enforcement work at the airport and has been relatively constant over 2016, 2015, and 2014.

Expenses:

Below in a summary of expenses for the three fiscal years ended December 31, 2016, 2015, and 2014:

Summary of Expenses	2016	2015	2014
Operating Expenses:			
Airfield	\$ 9,986,991	\$ 8,281,472	\$ 8,946,017
Passenger terminal	5,026,242	4,507,214	4,361,006
Leased buildings	1,116,535	2,075,678	942,667
Parking	3,634,293	3,014,796	2,551,534
Administration and operations	4,704,379	4,638,465	4,597,557
Total Operating Expense	24,468,440	22,517,625	21,398,781
Depreciation expense	22,266,977	20,554,491	18,176,458
Nonoperating Expense			
Interest expense	300,324	391,774	491,735
Loss on disposition of assets	28,769	-	-
Loss on investments	180,518	-	-
Other grant expense	303,208	331,051	373,773
Total Nonoperating Expense	812,819	722,825	865,508
Total	\$47,548,236	\$43,794,941	\$40,440,747

Airfield expenses increased in 2016 primarily related to three things: increased airfield de-icing and snow removal activity, employee compensation and benefits due to the ability to fully staff certain departments and the effect of Airfield Rescue and Fire Fighter (ARFF) post-employment medical and pension benefits. 2015 decreased from 2014 primarily due to reduction in the environmental expense and a decrease in de-icing materials allocated to the airfield portions of the Airport.

Terminal expenses increased in 2016 primarily due to increased repairs activity, such as carpet replacements, passenger access doorways, passenger boarding bridge and baggage handling equipment maintenance. Programmed wage and benefit increases also contributed. The 2015 increase is due to an increase in wages and benefits along with power consumption increases.

Building and other leased site expenses decreased in 2016 due the lack of significant building demolitions that occurred in the prior year. 2015 shows a significant increase over the prior year due to the demolition and removal of seven old buildings at SIA, ABP and Felts Field in preparation for future development.

Parking and Ground Transportation expenses increased in both 2016 and 2015. The increase in 2016 corresponds to three primary items: the addition of curb-side security related to taxis, shuttles and other commercial vehicles, the start of a garage maintenance project to improve lighting and continuing emphasis on snow removal and de-icing of roads and parking lots. The 2015 increase related to the introduction of the Car Wash at the exit plaza along with increasing costs due to the emphasis in snow removal and de-icing of roads.

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses remained fairly consistent to 2015 with a small increase overall due to increases in wage and benefits, legal and audit fees, and marketing efforts offset by reductions in contracted consultant costs. The small 2016 increase is due predominately to programmed wage increases along with increased efforts in long term planning efforts.

Non-operating interest expense decreased in 2016 and 2015 and is directly related to the reduction in the outstanding balances of long-term debt.

Other grant expense decreased in 2016 as there was a small one-time operational grant received in 2015 to conduct a traffic study. The decrease in 2015 is due to the reduced activity in law enforcement officer (LEO) expenses related to a variety of LEO type grants. These expenses in each year are offset by grant revenues.

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

Other financial considerations

The Spokane Airport currently maintains A+ Standard & Poor's, A+ Fitch, and A-2 Moody's ratings, which are unchanged from 2015. SIA has a total debt burden of \$7.13 per enplaned passenger following a burden of \$9.03 in 2015. These figures are lower than many similar sized airports. The Airport has covenants to maintain a bond debt service coverage ratio of not less than 1.3, which it has successfully maintained.

The basic financial structure of the Airport facilities has been very consistent over the past 30 years, with the residual based budget that has been in effect since 1984. The airline operating agreements and leases were extended through negotiations with air carriers with minor changes until December 31, 2017, with an option to extend the agreements an additional year.

The increase in total net position, the sufficient liquidity, the declining balances of long term debt and associated low interest rates, the strong debt service coverage and low debt burden per passenger affirm the continuing strong financial condition of the Airport. 2016 was the third year in a row of increased passenger traffic and the total passenger count of 2016 is the highest since 2007. Even so, the effects of passenger activity affecting financial condition tend to be minimized locally with sound financial operations, a relatively low cost structure, and careful approach to financing capital needs out of general airport funds.

IMPACTS ON THE FUTURE

The Airport finances construction projects at facilities through a combination of revenue bonds, entitlement and discretionary grants received from the FAA, state grants, CFCs, PFCs along with funds from general airport operations. H.R. 636, the FAA Extension, Safety, and Security Act of 2016 extended the agency's authority and provided funding through September 2017. It also included safety and security additions including: the development of a cybersecurity framework to reduce risks to the national airspace system as well as a pilot project to detect and mitigate unauthorized operation of Unmanned Aviation Systems (UAS) or drones around airports and other critical infrastructure. President Trump has stated that one of his goals is rebuilding the nation's infrastructure, including airports. There is an expectation the Trump Administration will work with Congress to develop an infrastructure bill later this year. Complicating the discussion is the fact that Congress must act before the end of the federal fiscal year to reauthorize the FAA and it is not currently known how that interplays with a possible Infrastructure bill. Should Congress be unable to pass a long term FAA reauthorization bill in the next few months, the possibility of multiple short term extensions exists, potentially disrupting the capital improvement plans of SIA and Felts Field. Other federal issues affecting the Airport include FAA rulemaking processes, protecting AIP funding, modernization of the PFC program, Air Traffic Control Privatization, funding of the Contract Tower Program and Contract Weather Observers, addressing the nationwide pilot shortage, and regulation of UAS as part of ongoing integration into the National Airspace System.

State and local issues affecting the Airport include REAL ID, minimum wage and sick leave initiatives, and the general budgetary environment of the state as it affects attracting business to the state and, specifically, the Airport. The REAL ID Act of 2005 is federal law that requires state driver's licenses and ID cards to have security enhancements. Currently, the state of Washington's process for issuing driver's licenses is not compliant with the Federal Act. The impact of non-compliance means Washington residents flying domestically will need to produce other forms of identification deemed compliant with the Act, such as a Passport. There is a concern that if a law is not enacted to provide a Real ID-compliant driver license, that

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

some Washington residents may elect not to use air transportation for shorter trips within the region, which could negatively impact passenger activity at SIA.

State and local authorities are passing minimum wage and sick leave initiatives that will have an effect on the Airport's costs. Washington state voters approved an initiative in 2016 increasing the state minimum wage to \$11.00 per hour in 2017, \$11.50 in 2018, \$12.00 in 2019, and \$13.50 per hour in 2020. The Airport is monitoring these issues and is developing strategies to comply with these requirements that will minimize the effect on its rates and charges and overall financial well-being.

At the end of 2016, one PFC application with six separate projects is under collection authority at the \$4.50 level. This \$15 million application was approved by the FAA in January 2015. The projects in the approved application focus primarily on security and capacity enhancements. The current PFC level of \$4.50 is a cap set by Congress. To the extent that this cap is not increased, the Airport's ability to implement projects on a pay-go basis will continue to be diminished which may require the issuance of more debt than would be necessary if the PFC was modernized. More debt issuance will directly impact airline rates and charges.

Major projects identified in the Airport Layout Plan (ALP) and the Capital Improvement Program (CIP) are included in the on-going discussions regarding grant and PFC funded projects as well as how they affect on-going conversations regarding a modernized Airline Use Agreement. The impacts of projects to cash flow of the Airport along with impacts to rates and charges of the air carriers will be analyzed carefully through 2017 and 2018 as projects are brought forward.

Concentration on development of new business opportunities by improving infrastructure and marketing efforts continue to be the focus on designated non-aeronautical property at SIA as well as at the Airport Business Park. The objectives are two-fold and include diversification of and increasing non-airline revenue as well as to attract manufacturing jobs to the Airport area which will contribute to overall business and leisure travel demand increases.

In the past three years taxiways, taxi lanes and ramp areas at Felts Field have been completely rehabilitated utilizing FAA grant funding to the greatest degree possible. With the improvements made by the Airport and tenants, Felts Field is garnering renewed attention from businesses contemplating additional development. Continued investment in hangar capacity; continuation of the contract tower services provided by the FAA as well as investments in surface access and terminal area infrastructure will be critical to the continued success and growth of the Airport.

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



**SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION**

ASSETS

	December 31,	
	2016	2015
CURRENT ASSETS		
Unrestricted Current Assets		
Cash	\$ 108,664	\$ 114,313
Unrestricted short-term investments	27,642,597	27,844,447
Accounts receivable, less allowance for doubtful accounts of 2016 \$16,136; 2015 \$16,328	1,533,096	1,270,650
Prepaid expenses and other assets	535,332	548,401
Inventory	288,480	273,767
Total Unrestricted Current Assets	30,108,169	30,051,578
Restricted Current Assets		
Current portion, restricted short-term investments	3,173,123	3,250,524
Receivable from government agencies	1,979,862	3,815,316
Total Restricted Current Assets	5,152,985	7,065,840
Total Current Assets	35,261,154	37,117,418
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Land	19,818,076	19,818,076
Construction in process	7,764,229	16,726,177
Depreciable capital assets, net of accumulated depreciation	236,131,755	234,179,086
Total Unrestricted Noncurrent Assets	263,714,060	270,723,339
Restricted Noncurrent Assets		
Restricted investments, less current portion	19,215,153	12,713,528
Net Pension Asset	781,920	1,264,018
Total Restricted Noncurrent Assets	19,997,073	13,977,546
Total Noncurrent Assets	283,711,133	284,700,885
TOTAL ASSETS	318,972,287	321,818,303
DEFERRED OUTFLOW OF RESOURCES RELATED TO PENSIONS	1,231,285	603,135

SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

LIABILITIES

	December 31,	
	2016	2015
CURRENT LIABILITIES		
Liabilities Payable from Unrestricted Assets		
Construction warrants payable	\$ 543,910	\$ 1,292,866
Vouchers payable and other accrued expenses	2,326,629	3,270,284
Accrued payroll	841,060	691,366
Compensated absences - current portion	170,322	160,504
Total Unrestricted Current Liabilities	<u>3,881,921</u>	<u>5,415,020</u>
Liabilities Payable from Restricted Assets		
Construction warrants payable	157,870	7,568
Accrued interest payable	61,901	82,999
Long-term debt due within one year	2,680,421	2,594,959
Total Restricted Current Liabilities	<u>2,900,192</u>	<u>2,685,526</u>
Total Current Liabilities	<u>6,782,113</u>	<u>8,100,546</u>
NONCURRENT LIABILITIES		
Deposits	278,328	282,410
Compensated absences	1,289,644	1,183,492
Accrued environmental liabilities	2,409,865	2,957,549
Accrued postretirement benefits	3,718,522	3,162,788
Net Pension liabilities	4,740,904	3,910,712
Long-term debt, due in more than one year	8,865,616	11,546,038
Total Noncurrent Liabilities	<u>21,302,879</u>	<u>23,042,989</u>
TOTAL LIABILITIES	<u>28,084,992</u>	<u>31,143,535</u>
DEFERRED INFLOW OF RESOURCES		
RELATED TO PENSIONS	<u>195,476</u>	<u>1,018,778</u>
NET POSITION		
Net Investment in capital assets	<u>251,866,707</u>	<u>256,084,993</u>
Restricted for:		
Debt service	5,116,156	5,113,084
Passenger Facility Charge	11,258,408	5,504,114
Customer Facility Charge	5,285,268	4,571,323
Cash restricted for retainages and deposits	728,444	775,531
Net Pension Asset	781,920	1,264,018
Total Restricted Net Position	<u>23,170,196</u>	<u>17,228,070</u>
Unrestricted	<u>16,886,201</u>	<u>16,946,062</u>
TOTAL NET POSITION	<u>\$ 291,923,104</u>	<u>\$ 290,259,125</u>

SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

	Years Ended December 31,	
	2016	2015
Operating revenues:		
Airfield	\$ 5,352,771	\$ 4,474,681
Passenger terminal	12,163,996	11,549,505
Leased buildings	2,937,847	2,678,422
Leased areas	2,036,034	1,997,955
Parking	10,239,333	9,413,381
Other	366,006	122,579
Total Operating Revenue	33,095,987	30,236,523
Operating expenses:		
Airfield:		
General	5,370,884	4,984,135
Fire department	2,710,881	1,770,178
Police department	1,905,226	1,527,159
Passenger terminal	5,026,242	4,507,214
Leased buildings	1,116,535	2,075,678
Parking	3,634,293	3,014,796
Administration and operations	4,704,379	4,638,465
Total Operating Expense	24,468,440	22,517,625
Operating income before depreciation	8,627,547	7,718,898
Depreciation	22,266,977	20,554,491
Operating income (loss)	(13,639,430)	(12,835,593)

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

	Years Ended December 31,	
	2016	2015
Nonoperating revenues (expenses):		
Interest income	\$ 739,299	\$ 501,573
Interest expense, including amortization of bond premiums	(300,324)	(391,774)
Gain (loss) on disposition of assets	(28,769)	9,270
Gain (loss) on investments	(180,518)	-
Grant revenue	303,208	331,051
Grant expense	(303,208)	(331,051)
Transaction fees	3,191,471	3,090,745
Passenger facility charges	6,223,821	5,989,211
Total Nonoperating revenue (expenses)	9,644,980	9,199,025
Increase in net position before capital grants and related items	(3,994,450)	(3,636,568)
Capital contributions		
Other	166,315	-
Federal AIP and other federal grants	5,492,114	8,827,247
	5,658,429	8,827,247
Increase in Net Position	1,663,979	5,190,679
Net Position, beginning of year	290,259,125	285,068,446
Net Position, end of year	\$ 291,923,104	\$ 290,259,125

SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS

	Years Ended	December 31,
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from airfield operations	\$ 4,864,835	\$ 4,208,409
Cash received from passenger terminal	12,163,996	11,549,505
Cash received from building leases	2,935,121	2,666,716
Cash received from area leases	2,036,034	1,997,955
Cash received from parking	10,239,333	9,413,381
Other operating cash received	366,006	122,579
Cash paid for airfield operations	(5,579,964)	(5,960,470)
Cash paid to airfield employees	(4,204,545)	(4,634,083)
Cash paid for passenger terminal	(4,343,665)	(3,746,420)
Cash paid to passenger terminal employees	(738,820)	(763,295)
Cash paid for leased building operations	(1,116,535)	(2,075,678)
Cash paid for parking operations	(2,665,273)	(2,119,596)
Cash paid to parking operations employees	(911,605)	(895,657)
Cash paid for administration and operations	(4,147,019)	(2,136,263)
Cash paid to administration and operations employees	(1,571,774)	(1,488,721)
Net cash provided by operating activities	7,326,124	6,138,362
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	303,208	331,051
Operating grant expenses	(303,208)	(331,051)
Net cash provided by noncapital financing activities	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state grant proceeds	7,493,883	11,862,996
Acquisition and construction of capital assets	(15,896,326)	(20,505,376)
Principal payments on debt	(2,594,960)	(3,552,022)
Proceeds from sale of capital assets	11,205	9,269
Interest paid on debt	(321,422)	(418,484)
Transaction fees collected	3,191,471	3,090,745
Passenger facility charges collected	6,458,789	6,011,994
Net cash provided (used) by capital and related financing activities	(1,657,360)	(3,500,878)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	547,947	504,553
Net cash provided by investing activities	547,947	504,553
NET CHANGE IN CASH	6,216,711	3,142,037
Cash, beginning of year	43,922,812	40,780,775
Cash, end of year	\$ 50,139,523	\$ 43,922,812

SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS

	Years Ended 2016	December 31, 2015
OPERATING INCOME (LOSS)	\$ (13,639,430)	\$ (12,835,593)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	22,266,977	20,554,491
Changes in assets and liabilities:		
Accounts receivable	(486,580)	(236,102)
Prepaid expenses and other assets	13,069	29,526
Inventory	(14,713)	(116,589)
Vouchers payable and other accrued expenses	(943,655)	835,707
Accrued payroll	149,694	80,252
Accrued vacation and sick pay	115,970	135,732
Increase (decrease) in net pension liability and related deferred outflows and inflows of resources	(139,162)	(465,594)
Other	3,968	(1,843,468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,326,138</u>	<u>\$ 6,138,362</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Acquisition of construction and capital assets, recorded but not paid at year end	\$ 701,780	\$ 1,300,434
Gain (loss) on investments	(180,518)	-
TOTAL NONCASH ITEMS	<u>\$ 521,262</u>	<u>\$ 1,300,434</u>
RECONCILIATION OF CASH		
Cash	\$ 108,664	\$ 114,313
Unrestricted short-term investments	27,642,597	27,844,447
Restricted short-term investments, current and noncurrent	<u>22,388,276</u>	<u>15,964,052</u>
CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS	<u>\$ 50,139,537</u>	<u>\$ 43,922,812</u>

Notes to Financial Statements



SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

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

Organization:

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

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

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

Measurement focus and basis of accounting:

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

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

Reclassifications:

Certain reclassifications have been made to the 2015 statements in order to conform to the 2016 presentation.

Use of estimates:

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

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

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

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

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

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

Deferred Outflows/Inflow of Resources:

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

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

New Accounting Standard:

The Airport adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The Statement provides accounting and financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions and related disclosures. The accounting changes required by GASB No. 68 are applied retroactively by reclassifying the statement of net position, net position information, and results of operations. The requirements of GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2015, and were adopted by the Airport effective January 1, 2015, with retrospective application to the years shown in the MD & A and the Basic Financial Statements.

Restatement of Net Position

In fiscal year 2015, the Airport implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. As a result of the implementation, the beginning net position as of January 1, 2014, was restated, resulting in a decrease of \$3,861,829. The Statement requires the Airport to record its proportionate share of the defined benefit pension obligations for active, inactive and retired employees receiving retirement benefits under the Public Employee Retirement System (PERS) and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

Airline rates and charges:

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

Concentration of operating revenue:

The operation of the Airport is dependent upon the utilization of their facilities by air carriers and major airlines. Airlines have signed operating agreements (Note 10) with the Airport for terminal rentals and landing fees and for the maintenance of net revenues in accordance with bond covenants (see Note 6). Revenues from airlines amounted to approximately 36% and 33% of operating revenue for the years ended December 31, 2016 and 2015, respectively. Rental car revenue approximated 29% and 28% of operating revenue for the years ended December 31, 2016 and 2015, respectively. Parking garage revenues for the years ended December 31, 2016 and 2015, approximated 29% and 31% of total operating revenue, respectively.

Budgeting requirements:

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

Income taxes:

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

Passenger facility charges:

The Airport has received approval from the FAA to impose a passenger facility charge (PFC) for each passenger who utilizes SIA of up to \$4.50 from April 1, 2003, through November 1, 2017. The charge is collected by all carriers and remitted to the Airport, less a \$0.11 per passenger handling fee. The proceeds from the PFC are restricted to use by the Airport for certain FAA approved capital improvement projects. Cumulative PFC revenue in the amount of \$134,678,692 has been approved for collection and \$134,678,692 has been approved for use, of which \$133,339,359 has been received through December 31, 2016. At December 31, 2016, Spokane International Airport had total cumulative expenditures of \$121,677,590. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

Transaction fees:

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

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

Federal grants-in-aid:

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

Cash and cash equivalents:

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

Short-term investments:

The Airport invests the majority of its funds with Spokane County's investment pool for Spokane County government agencies. It is the policy of Spokane County to invest public funds in accordance with governing statutes and in a manner, which will provide the best investment return. Investments are made by designated personnel in accordance with the Spokane County Treasurer's Investment Policy. County policy dictates that all investment instruments other than certificates of deposit and County notes be

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

transacted on the delivery-versus-payment basis. Investments are recorded at fair market value. Information regarding the types of investments that the County can purchase are found in RCW 36.29.020. Investments are recorded at net assets value in accordance with GASB Statement No. 72, *Fair Value Measurement, and Application*. Accordingly, the change in net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts receivable and allowance for doubtful accounts:

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

Inventory:

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

Capital assets:

Capital assets with an acquisition cost in excess of \$5,000 at the acquisition date and having an expected useful life of one or more years are capitalized and depreciated. Repair and maintenance costs are expensed as incurred. Replacements and major improvements of capital assets are capitalized at cost. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Land is not considered a depreciable asset. The Statement of Revenues, Expenses, and Changes in Net Position include depreciation of all depreciable property, facility, and equipment and total gains or losses upon the disposal thereof.

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

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

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

Capitalization of interest costs:

Interest costs associated with assets requiring a period of time to construct and place in service are capitalized. Other interest costs are charged to operations as incurred. No interest costs were capitalized during 2016 and 2015.

Debt discount, premium, and issuance costs:

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

Pensions:

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

Compensated absences:

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

Administrative employees

Administrative employees that were hired before August 1, 2008, may accrue up to 400 hours of vacation time. Employees hired after that date may accrue up to 300 hours of vacation. Unused sick leave is paid out to an employee or the employee's estate only when separation is due to death or retirement. Sick leave payout is equal to 50% of not more than 2,080 hours.

Maintenance employees

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

Firefighters

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

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

Net Position:

As required by GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, net position has been classified on the statement of net position into the following components:

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

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

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

Policy regarding use of restricted vs. unrestricted resources:

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

Recently Adopted Accounting Standards:

GASB Statement No. 68 (GASB 68) - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* was issued in June 2012. This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements in which:

- (1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

- (2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- (3) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets also are legally protected from creditors of the plan members.

The requirements of GASB 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts that meet certain criteria and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. The requirements apply whether the government's financial statements are presented in stand-alone financial reports or are included in the financial reports of another government.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined pension plans, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employer service. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of the Statement were effective for financial statements for periods beginning after June 15, 2015, and were adopted by the Airport effective January 1, 2015.

GASB Statement No. 72 (GASB 72) - *Fair Value Measurement and Application*: This Statement addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants and the measurement date. The statement also describes, which assets and liabilities should be measured at fair value and disclosures needed in the financial statements. The guidance defines investments, which generally are measured at fair value - as securities or other assets that governments hold primarily for the purpose of income or profit and the present service capacity, which is based solely on their ability to generate cash or to be sold to generate cash. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in an active market for identical assets or liabilities. Level 2 inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. The requirements of the Statement were effective for financial statements for periods beginning after June 15, 2015, and were adopted by the Airport effective January 1, 2016.

Accounting Standards Issued But Not Yet Adopted:

GASB Statement No. 73 (GASB 73) - *Accounting and Financial Reporting for Pensions* was issued June 2016. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in GASB 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in GASB 68 should not be considered pension plan assets. It also requires that information similar to that required by GASB 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The provisions of GASB 73 are effective for financial statement for the fiscal years beginning after June 15, 2016. The Airport is currently evaluating the impact of GASB 73 on its financial statements.

GASB Statement No. 75 (GASB 75) - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* was issued June 2016. The scope of this Statement addresses accounting and

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

Note 2 - Cash, Cash Equivalents and Investments

Deposits:

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

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

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

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

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

Investments:

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

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

The State of Washington Local Government Investment Pool is the only government-sponsored pool approved for investment of funds. At December 31, 2016 and 2015, the Airport had the following cash and investments. Cash and investments are classified on the statement of net position as follows:

	2016	2015
Cash	\$ 108,664	\$ 114,313
Unrestricted short-term investments	27,642,597	27,844,447
Restricted short-term investments, current portion	3,173,123	3,250,524
Restricted short-term investments, noncurrent	19,215,153	12,713,528
TOTAL	\$ 50,139,537	\$ 43,922,812

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

	2016	2015
Petty Cash	\$ 6,650	\$ 6,648
Cash in bank	102,014	107,665
Funds invested in the Spokane County Investment Pool	50,030,873	43,808,499
TOTAL	\$ 50,139,537	\$ 43,922,812

Credit risk:

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

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates.

The Airport has no formal policy addressing interest rate risk. The majority of the Airport's funds are invested in the Spokane County Investment Pool. The average length of maturity of the investments of the Pool was 532 and 558 days at December 31, 2016 and 2015, respectively.

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

Custodial risk:

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

Concentration risk:

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The Spokane County Investment Pool policy mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer.

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

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

Presented below are investments in any one issuer that represent 5% or more of the total County investment pool.

	2016	2015
Fannie Mae	18%	14%
Freddie Mac	5%	5%
LGIP (State)	12%	11%
FHL	14%	7%
United States Treasury Notes	47%	56%

The following is a table, by percentage of investment security types, of the Spokane County Investment Pool as of December 31, 2016 and 2015:

	2016	2015
Washington State Local Government Investment Pool	12%	11%
Federal agency securities	86%	85%
Miscellaneous investments	2%	4%
	<u>100%</u>	<u>100%</u>

Cash balances:

The carrying value of the Airport's deposits with financial institutions as of December 31, 2016 and 2015, were \$102,014 and \$107,655 and the bank balances were \$102,014 and \$107,665 respectively. The bank balance is categorized as follows:

	2016	2015
Amount insured by FDIC	\$ 102,014	\$ 107,665
Total Bank Balance	<u>\$ 102,014</u>	<u>\$ 107,665</u>

Restricted cash and short-term investments:

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

	2016	2015
Funds restricted for the retirement of the 2005 Revenue Bonds	\$ 482,491	\$ 479,651
Funds restricted for the retirement of the 2008 Revenue Bonds	4,157,150	4,160,398
Funds restricted for the retirement of the 2010 Revenue Bonds	-	4
Funds restricted for the retirement of the CERB Loans	476,515	473,031
Collected passenger facility charges, restricted for approved projects	11,258,408	5,504,114
Collected transaction fee, restricted for approved projects	5,285,268	4,571,323
Funds designated for retainages in escrow (cash in bank)	459,186	504,917
Refurbishment and fuel deposits	269,258	270,614
Total Restricted Cash and Short-Term Investments	<u>\$ 22,388,276</u>	<u>\$ 15,964,052</u>

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Receivable from Government Agencies

The Airport has received grants for airport construction, improvements, and land acquisition, from the Federal Airport Improvement Program (AIP) and other state and federal grants. Cash collected for construction, land acquisition, and operational grants were \$5,961,637 in 2016 and \$9,158,298 in 2015. Amounts are recorded on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue, and capital contributions. The following is a summary of the activity in government receivables for the years ended December 31:

	2016	2015
Government receivable, beginning of year	\$ 3,815,316	\$ 6,851,785
Funds expended	5,961,637	9,158,298
	9,776,953	16,010,083
Less cash received	(7,797,091)	(12,194,767)
Government receivable, end of year	<u>\$ 1,979,862</u>	<u>\$ 3,815,316</u>

Note 4 - Inventory

At the end of 2016 and 2015, the Airport had a remaining supply of fuel and de-icing material, which was recorded as inventory using the FIFO accounting method. Inventory on December 31, 2016 and 2015, was \$288,480 and \$273,767, respectively.

Note 5 - Change in Capital Assets

A summary of changes in capital assets for the years ended December 31, 2016 and 2015, is as follows:

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Change in Capital Assets (Continued)

	Beginning Balance January 1, 2015	Additions	Deletions	Transfers	Ending Balance December 31, 2015
Nondepreciable Assets					
Land	\$ 19,696,904	\$ 121,172	\$ -		\$ 19,818,076
Construction in progress	20,038,441	18,662,884	-	(21,975,148)	16,726,177
Total Nondepreciable Assets	39,735,345	18,784,056	-	(21,975,148)	36,544,253
Depreciable					
Land improvements	187,722,704	-	-	7,758,759	195,481,463
Buildings	165,313,942	-	(139,579)	11,737,676	176,912,039
Equipment	49,019,941	959,831	(63,557)	1,772,583	51,688,798
Water and sewer facilities	1,397,816	-	-	706,130	2,103,946
Total Depreciable Assets	403,454,403	959,831	(203,136)	21,975,148	426,186,246
Less accumulated depreciation for:					
Land improvements	66,727,994	10,058,225	-	-	76,786,219
Buildings	76,452,213	6,048,992	(139,579)	-	82,361,626
Equipment	27,764,182	4,364,540	(63,557)	-	32,065,165
Water and sewer facilities	711,416	82,734	-	-	794,150
Total Accumulated Depreciation	171,655,805	20,554,491	(203,136)	-	192,007,160
Total Depreciable Capital Assets - net	231,798,598	(19,594,660)	-	21,975,148	234,179,086
Total Capital Assets - net	\$ 271,533,943	\$ (810,604)	\$ -	\$ -	\$ 270,723,339

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt

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

		2016		2015
	Due Within One Year	Due After One Year	Total	Total
Revenues Bonds series 2005, due in installments of increasing amounts through December 1, 2024, interest payable semi-annually at rates of 3.23% to 6.02%. The proceeds of the bond were utilized to finance the construction of the Business Park building 1200.				
Original principal amount \$2,620,000.	\$ 140,000	\$ 1,225,000	\$ 1,365,000	\$ 1,495,000
	<u>\$ 140,000</u>	<u>\$ 1,225,000</u>	<u>\$ 1,365,000</u>	<u>\$ 1,495,000</u>
Revenues Bonds series 2008, due in installments of increasing amounts through October 1, 2018, interest payable semi-annually at rates of 3.25% to 4.50%. The proceeds of the bond were utilized to finance the construction of the Rental Car Facilities and parking project.				
Original principal amount \$18,875,000.	\$ 2,040,000	\$ 2,135,000	\$ 4,175,000	\$ 6,140,000
Add unamortized bond premium.	45,785	7,630	53,415	99,200
	<u>\$ 2,085,785</u>	<u>\$ 2,142,630</u>	<u>\$ 4,228,415</u>	<u>\$ 6,239,200</u>
2005 CERB loan, due in installments of increasing amounts through January 1, 2026, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build a FBO maintenance hangar.				
Original principal amount \$800,000.	\$ 46,539	\$ 440,347	\$ 486,886	\$ 532,963
2006 CERB loan, due in installments of increasing amounts through July 1, 2027, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build an avionics repair and maintenance hangar.				
Original principal amount \$750,000.	\$ 44,764	\$ 447,639	\$ 492,403	\$ 537,167

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt (Continued)

		2016		2015
	Due Within One Year	Due After One Year	Total	Total
2008 CERB loan, due in installments of increasing amounts beginning July 1, 2015, through July 1, 2029, interest is payable annually at a rate of .5%. Proceeds were used to refurbish a maintenance and repair facility.				
Original principal amount \$1,700,000.	\$ 113,333	\$ 1,360,000	\$ 1,473,333	\$ 1,586,667
2010 CERB loan, due in installments of increasing amounts July 31, 2015, through July 31, 2030, interest is payable annually at a rate of 0%. Proceeds of the loan were used to build an aircraft maintenance and paint hangar facility.				
Original principal amount \$4,000,000.	\$ 250,000	\$ 3,250,000	\$ 3,500,000	\$ 3,750,000
Total Long-Term Debt	\$ 2,680,421	\$ 8,865,616	\$ 11,546,037	\$ 14,140,997

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

	Principal	Interest	Total
2017	\$ 2,634,635	\$ 279,890	\$ 2,914,525
2018	2,735,100	178,812	2,913,912
2019	610,570	78,514	689,084
2020	621,045	68,392	689,437
2021	631,524	56,965	688,489
2022-2026	2,874,984	105,125	2,980,109
2027-2030	1,384,764	3,848	1,388,612
	<u>\$ 11,492,622</u>	<u>\$ 771,546</u>	<u>\$ 12,264,168</u>

Pursuant to agreements executed with all airlines, landing fees are determined using a formula, which is based on, among other factors, the maintenance of the 1.3 ratio of net revenues to maximum annual debt service. The 2008 and 2010 series bonds require a ratio of net revenue equal to 1.3 times the maximum annual debt service on all outstanding bonds. The Airport Business Park 2005 series bonds require a ratio of net revenue equal to 1.25 times the maximum annual debt service on all outstanding bonds. The Airport was in compliance with these ratios for 2016 and 2015.

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt (Continued)

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

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

	Balance at December 31, 2014	Increase	Decrease	Balance at December 31, 2015
Revenue bonds of 2005	\$ 1,620,000	\$ -	\$ (125,000)	\$ 1,495,000
Revenue bonds of 2008	8,025,000	-	(1,885,000)	6,140,000
Revenue bonds of 2010	1,030,000	-	(1,030,000)	-
2005 CERB loan payable	578,584	-	(45,621)	532,963
2006 CERB loan payable	581,930	-	(44,763)	537,167
2008 CERB loan payable	1,700,000	-	(113,333)	1,586,667
2010 CERB loan payable	4,000,000	-	(250,000)	3,750,000
Unamortized Premium	157,506	-	(58,305)	99,200
	<u>\$ 17,693,020</u>	<u>\$ -</u>	<u>\$ (3,552,022)</u>	<u>\$ 14,140,997</u>

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

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt (Continued)

	Balance at December 31, 2014	Increase	Decrease	Balance at December 31, 2015
Deposits	\$ 324,286	\$ -	\$ (41,876)	\$ 282,410
Accrued environmental liabilities	4,004,703	-	(1,047,154)	2,957,549
Accrued postretirement benefits	3,917,226	-	(754,438)	3,162,788
Pension liability	1,684,242	2,226,470		3,910,712
Compensated absences	1,063,113	120,379	.	1,183,492
	<u>\$ 10,993,570</u>	<u>\$ 2,346,849</u>	<u>\$ (1,843,468)</u>	<u>\$ 11,496,951</u>

The Airport has bonds secured by certain pledged revenues. At December 31, 2016, the outstanding bond and associated pledged revenues are as follows:

- The Airport has pledged net revenues of the Business Park to repay the Business Park bond issued in 2005 to construct Building 1200.
- The Airport has pledged net revenues of the Airport and Felts Field to repay the rental car and parking facilities bond issued in 2008 to construct the quick turn-around facility and make improvements to the parking facilities.

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

The total future revenues pledged as security on the bonds are \$6,203,257, which consists of future principal and interest payments for the life of the bonds. The revenues securing the bonds are the customer facility charge and net revenues of the Airport. The present value of the future revenues pledged assuming a 3% interest rate is \$5,578,325.

Note 7 - Operating Leases

The Airport entered into several operating leases for office and airfield maintenance equipment. Lease expenditures for the years ended December 31, 2016 and 2015, were \$2,549 and \$23,933, respectively.

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

Year ending December 31, 2017	<u>\$ 2,549</u>
Total	<u>\$ 2,549</u>

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the [GASB Statement 68, Accounting and Financial Reporting for Pensions](#) for the year 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 4,740,904
Pension assets	781,920
Deferred outflows of resources	1,231,285
Deferred inflows of resources	195,476
Pension expense/expenditures	1,126,110

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

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

Public Employees' Retirement System (PERS)

Plan Description:

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

Pension Benefits:

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

Contributions:

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

The Spokane Airport Board's actual contributions to the plan were \$245,770 and \$205,343 for the years ended December 31, 2016 and 2015, respectively.

Pension Benefits:

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

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

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

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

Contributions:

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 are as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The Spokane Airport Board's actual contributions to the plan were \$321,229 and \$263,805 for the years ended December 31, 2016 and 2015, respectively.

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

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

Plan Description and Benefits:

The Spokane International Airport contributes to the LEOFF Plan 1, which is a cost-sharing multiple-employer defined benefit pension plan administered by Washington State Department of Retirement Systems (DRS or System) that covers employees of the State of Washington, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. DRS issues a publicly available financial report that includes financial statements and the required supplementary information for DRS. That report may be obtained on the DRS website at www.drs.wa.gov.

Responsibility for administration of the LEOFF Plan 1 is assigned to the Department of Retirement Systems which collects and accounts for employer and employee contributions, maintains retirement records, pays benefits, communicates pension information, provides investment education, and administers the deferred compensation program. The Governor appoints the director of the DRS.

Employee membership data related to the LEOFF Plan 1, as of June 30, 2016 and 2015, were as follows:

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

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

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

Contributions:

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

Plan Description and Benefits:

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

Contributions:

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%

The Spokane Airport Board's actual contributions to the plan were \$112,905 and \$119,085 for the years ended December 31, 2016 and 2015, respectively.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. SIA's portion of the state contribution is \$585,369.

Actuarial Assumptions:

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age normal cost method), assumed interest, and actual benefit payments.

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

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate:

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

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

Long-Term Expected Rate of Return:

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. 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. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class:

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

Sensitivity of NPL:

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$2,598,918	\$2,155,170	\$1,773,297
PERS 2/3	4,760,801	2,585,734	(1,346,024)
LEOFF 1	(209,933)	(353,398)	(476,029)
LEOFF 2	1,201,693	(428,522)	(1,657,230)

Pension Plan Fiduciary Net Position:

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

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

At December 31, 2016 and 2015, the Spokane Airport Board reported a total pension liability and pension assets are as follows:

	2016	2015
	Liability (or Asset)	Liability (or Asset)
PERS 1	\$2,155,170	\$2,072,175
PERS 2/3	2,585,734	1,838,537
LEOFF 1	(353,398)	(424,165)
LEOFF 2	(428,522)	(839,853)

The total employer and employee contribution payable to the Department of Retirement Systems at December 31, 2016 and 2015 was \$114,057 and \$102,849 respectively. These payables were for the December payroll in each respective year.

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ 353,398	\$ 428,522
State's proportionate share of the net pension asset associated with the employer	2,390,378	279,365
TOTAL	\$ 2,743,776	\$ 707,887

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

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.039292%	0.040130%	0.000838%
PERS 2/3	0.050566%	0.051356%	0.00079%
LEOFF 1	0.035194%	0.034301%	(0.000893)%
LEOFF 2	0.082249%	0.073676%	(0.008573)%

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense:

For the year ended December 31, 2016 and 2015, the Spokane Airport Board recognized pension expense as follows:

	2016	2015
	Pension Expense	Pension Expense
PERS 1	\$142,087	\$(30,377)
PERS 2/3	400,871	198,478
LEOFF 1	(36,763)	(73,276)
LEOFF 2	108,028	(34,035)
TOTAL	\$ 614,223	\$ 60,790

Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

PERS 1	December 31, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	112,450
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	108,564	-
TOTAL	\$ 108,564	\$ 112,450

The average of the expected remaining service lives of all employees in PERS 1 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 1 year.

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

PERS 2/3	December 31, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,058	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	482,317
Changes of assumptions	2,911	-
Changes in proportion and differences between contributions and proportionate share of contributions	21,422	81,117
Contributions subsequent to the measurement date	141,039	-
TOTAL	\$ 357,430	\$ 563,434

The average of the expected remaining service lives of all employees in PERS 2/3 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 4.2 years.

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

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

LEOFF 1	December 31, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	71,608
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 71,608

The average of the expected remaining service lives of all employees in LEOFF 1 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 1 year.

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

LEOFF 2	December 31, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,025	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	256,138
Changes of assumptions	2,230	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	15,148
Contributions subsequent to the measurement date	60,886	-
TOTAL	\$ 137,141	\$ 271,286

The average of the expected remaining service lives of all employees in LEOFF 2 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 6 years.

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

Years ended December 31:	PERS 1
2017	\$(13,361)
2018	(13,361)
2019	49,835
2020	31,150
2021	-
Thereafter	54,263

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

Years ended December 31:	PERS 2/3
2017	\$ (36,063)
2018	(36,063)
2019	218,404
2020	147,165
2021	-
Thereafter	293,443

Years ended December 31:	LEOFF 1
2017	\$ (7,423)
2018	(7,423)
2019	31,111
2020	19,658
2021	-
Thereafter	35,923

Years ended December 31:	LEOFF 2
2017	\$ 14,251
2018	14,251
2019	143,579
2020	103,944
2021	21,542
Thereafter	297,567

Postretirement Health Care Plan

Benefits Other than Pensions:

At the December 31, 2008, implementation date, the initial net other postemployment benefit (OPEB) obligation was established based on the cumulative effect if GASB No. 45 had been in effect for the previous five years. The most recent actuarial evaluation was performed on February 23, 2017 for the year ended December 31, 2016.

Plan description:

The Airport sponsors a single employer defined benefit postretirement health care plan for certain qualifying firefighters. The plan is directed and defined by State of Washington Revised Code (RCW 41.26.150). Under the Airport's bargaining unit agreement with its firefighters, the Airport is required to provide medical insurance and full benefit coverage to its LEOFF 1 firefighters from the time of retirement until death. The Plan covers 13 previously retired members. The Airport pays benefits on a pay-as-you-go basis. The accrued benefit liability is determined using the entry age normal cost method. During 2008, the Airport adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postretirement*

Funding policy:

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

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

Funding status:

As of December 31, 2016 and 2015, using the entry age normal cost method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was \$3,693,709 and \$3,114,590, respectively, all of which was unfunded.

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

Termination Benefits:

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

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

Other Postemployment Health Care Plan (LEOFF Plan 1)						
Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Compared to Covered Payroll
12/31/2014	\$ -	\$ 3,917,226	\$ 3,917,226	0%	6,875	56,977.8%
12/31/2015	-	3,114,590	3,114,590	0%	-	0.0%
12/31/2016	-	3,693,709	3,693,709	0%	-	0.0%

Annual OPEB cost and net OPEB obligation:

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

The Airport's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Other Postemployment Health Care Plan (LEOFF Plan 1)				
Schedule of Trend Information				
Fiscal Year Ended	Annual OPEB Costs	Actual Contribution	Contribution as % of OPEB Costs	Net OPEB Obligation
12/31/2014	\$ (13,594)	\$ 197,024	-1449.33%	\$ 3,917,226
12/31/2015	(602,989)	199,647	-33.11%	3,114,590
12/31/2016	756,229	177,110	23.42%	3,693,709

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

The following table shows the components of the Airport's annual OPEB costs for the years ended December 31, 2016 and 2015, the amount actually contributed to the Plan, and changes in the Airport's net OPEB obligation.

	LEOFF Plan 1 Members' Medical	
	2016	2015
Annual required contribution	\$ 3,792,954	\$ 3,235,892
Interest on net OPEB obligation	77,865	78,345
Adjustment to annual required contribution	(3,114,590)	(3,917,226)
Annual OPEB costs	756,229	(602,989)
Contributions made	(177,110)	(199,647)
Increase (decrease) in net OPEB obligation	579,119	(802,636)
Net OPEB obligation beginning of year	3,114,590	3,917,226
Net OPEB obligation end of year	3,693,709	3,114,590
Early Retirement obligation	24,813	48,198
Total OPEB and early retirement obligation	\$ 3,718,522	\$ 3,162,788

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

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation. Gain and losses are amortized using a closed level dollar method over a period of 15 years. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

Mortality Rates - life expectancies were based on RP2014 Mortality Table with 2016 Improvement Rates.

Medical Inflation Rate - the expected rate of medical inflation was 9% for 2016 and 2015 reduced by .5% per year until a level 5%.

Expenses - no assumption of asset expenses was made.

Turnover Rate - the T2 Turnover Table was used.

Disability Rates - none were assumed.

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

Investment Rate of Return - a rate of 2.5% was used in 2016, for pre- and post-retirement which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The rates used for the 2015 and 2014 valuations were 2.5% and 2.0%, respectively.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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

Note 9 - Deferred Compensation

The Airport offers their employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to substantially all of the Airports' employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan were \$175,748 and \$207,199 for the years ended December 31, 2016 and 2015, respectively.

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

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were approximately \$2,241,445 and \$1,980,631 at December 31, 2016 and 2015, respectively. In accordance with legislation described above, the assets and associated liability of the deferred compensation plan assets are not included in the Airport's statement of net position.

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

Note 10 - Rental Income Under Operating Leases

The Airport leases substantially all terminal building space, as well as other space, to airlines and others. All leases have been treated as operating leases. The costs and related accumulated depreciation of property under leases is not practically determinable as to the segregation of the value of the assets associated with producing minimum rental income and the value of the assets associated with the entire facility. The majority of the Airport's leases relate only to portions of buildings and other spaces. During 2016 and 2015, the Airport recognized income of \$17,137,877 and \$16,225,882, respectively, as a result of these leases.

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

Note 10 - Rental Income Under Operating Leases

Years ending December 31,	
2017	\$ 12,952,958
2018	5,841,893
2019	3,016,702
2020	2,905,441
2021	2,172,248
Thereafter	12,537,528
Total future minimum rental payments	<u>\$ 39,426,770</u>

These amounts do not include fees, which may be received under certain leases involving car rentals and concessions based on gross receipts. Contingent fees amounted to \$1,442,023 and \$1,265,575 in 2016 and 2015, respectively.

Landing fees received under agreements with all airlines amounted to \$4,500,487 and \$3,730,495 in 2016 and 2015, respectively.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 11 - Related Party Leases

The Airport has non-cancelable operating land lease agreements with the City of Spokane, a related party. The Airport recognized income of \$141,387, in 2016 and \$140,937 in 2015 as a result of the land leases. The Airport purchases various utilities and permits from the city. In 2016 and 2015 those amounts totaled \$255,072 and \$248,018, respectively.

The Airport has operating lease agreements with various entities within Spokane County, a related party. During 2016 and 2015, the Airport recognized income of \$416,315 and \$430,026, respectively, under the lease agreements. The Airport purchases various services from the county. In 2016 and 2015, those amounts totaled \$18,477 and \$5,956, respectively.

The Airport has operating lease agreements with one agency in 2016 and four agencies in 2015 that have an affiliation with Board members. During 2016 and 2015, the Airport recognized income of \$17,315 and \$15,760, respectively, under the lease agreements.

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

The Airport purchases the majority of its electrical power from Avista Utilities. During 2016 and 2015, employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities \$1,550,825 and \$1,550,895 in 2016 and 2015, respectively.

Note 12 - Environmental Liability

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

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

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

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

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

The Airport has estimated an environmental liability in the amount of \$2,409,865 and \$2,957,549 as of December 31, 2016 and 2015, respectively. The estimate of costs used to establish the liability was developed by using the expected cash flow technique. The liability is an estimate and is subject to changes resulting from price increases, changes in technology, or changes in applicable laws and regulations. At December 31, 2016, it was not known how much of these costs will be recovered from other parties, if any.

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 13 - Contingencies and Commitments

Litigation:

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

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

Commitments:

During the fiscal year 2016, the Airport entered into various construction and service related contracts totaling \$18,746,781 with remaining commitments totaling \$14,311,202 at year-end. Commitments remaining on previous years contracts totaled \$1,201,803.

Note 14 - Grants

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

Note 15 - Net Position

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

	2016	2015
Long-term assets		
Land	\$ 19,818,076	\$ 19,818,076
Construction in process	7,764,229	16,726,177
Depreciable capital assets, net	236,131,755	234,179,086
Total capital assets	\$ 263,714,060	\$ 270,723,339
Less related liabilities		
Construction Retainage Payable	\$ 301,316	\$ 497,349
Current portion of long-term debt	2,680,420	2,594,959
Long-term debt	8,865,617	11,546,038
Total liabilities	11,847,353	14,638,346
INVESTED IN CAPITAL ASSETS	<u>\$ 251,866,707</u>	<u>\$ 256,084,993</u>

Restricted net position consist of the following

	2016	2015
Passenger facility charge, investments, restricted for approved projects	\$ 11,258,408	\$ 5,504,114
Transaction fees	5,285,268	4,571,323
Investments restricted for repayment on debt	5,116,156	5,113,084
Cash restricted for retainages, deposits, and grants	728,444	775,531
Net Pension Asset	781,920	1,264,018
RESTRICTED NET POSITION	<u>\$ 23,170,196</u>	<u>\$ 17,228,070</u>

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 16 - Risk Management

The Airport can be exposed to a variety of risks or losses related to torts (i.e. injuries to employees, passengers, damage to property, destruction, theft of assets, or natural disasters). The Airport has purchased commercial insurance for coverage of these risks. There have been no significant changes in coverage. There were no settlements in excess of insurance coverage in 2016 and in 2015.

Note 17 - Subsequent Events

Early in 2017, the Airport Board approved the following contracts:

Construction contracts	\$ 1,583,134
Consulting contracts	702,200
Service contracts	1,112,280
Goods purchases	<u>1,242,692</u>
Total Contracts	<u>\$ 4,640,306</u>

On February 23, 2017, the Airport Board voted to redeem the 2005 Bond series. The estimated pay off of the 2005 series is \$1,445,000. The Airport Board also voted to defease the 2008 Bond series. The estimated cash needed to defease the 2008 series is \$4,448,000.

The Airport Board approved resolution #02-17 authorizing the Airport CEO to submit an amendment to the Passenger Facilities Charge application #10. The amendment if approved by the FAA would increase collections by \$1,422,762.

At the March 2017 Board meeting the Board authorized the purchase of .93 acres for \$470,000.

Required Supplementary Information



**SPOKANE AIRPORT BOARD
REQUIRED SUPPLEMENTAL INFORMATION**

State Sponsored Pension Plans (Continued)

PERS 1	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.040130%	0.039292%	0.041972%
Employer's proportionate share of the net pension liability	\$ 2,155,170	\$ 2,072,175	\$ 2,112,914
Employer's covered employee payroll	4,868,988	4,524,442	4,617,726
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	44.26%	45.80%	45.76%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%
PERS 2/3	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.051356%	0.050566%	0.053087%
Employer's proportionate share of the net pension liability	\$ 2,585,734	\$ 1,838,537	\$ 1,075,519
Employer's covered employee payroll	4,868,988	4,515,039	4,587,162
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	53.11%	40.72%	23.45%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%
LEOFF 1	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.034301%	0.035194%	0.036583%
Employer's proportionate share of the net pension liability	\$ (353,398)	\$ (424,165)	\$ (443,675)
Employer's covered employee payroll	-	-	23,038
State's proportionate share of the net pension liability (asset) associated with the employer	(2,390,378)	(2,869,042)	(3,001,007)
TOTAL	\$ (2,743,776)	\$ (3,293,207)	\$ (3,444,682)
Employer's covered employee payroll	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	123.74%	127.36%	126.91%
LEOFF 2	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.073676%	0.082249%	0.080339%
Employer's proportionate share of the net pension liability	\$ (428,522)	\$ (839,853)	\$ (1,060,517)
State's proportionate share of the net pension liability (asset) associated with the employer	(279,365)	(555,133)	\$ (692,922)
TOTAL	\$ (707,887)	\$ (1,394,986)	\$ (1,753,439)
Employer's covered employee payroll	\$ 2,278,302	\$ 2,385,495	\$ 2,256,310
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-31.07%	-58.48%	-77.71%
Plan fiduciary net position as a percentage of the total pension liability	106.04%	111.67%	116.75%

**SPOKANE AIRPORT BOARD
REQUIRED SUPPLEMENTAL INFORMATION**

State Sponsored Pension Plans

**Schedule of Employer Contributions
As of December 31**

PERS 1	2016	2015	2014 *
Statutorily or contractually required contributions	\$ 245,770	\$ 205,343	\$ 182,726
Contributions in relation to the statutorily or contractually required contributions	245,770	205,343	182,726
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 5,173,382	\$ 4,669,550	\$ 4,543,077
Contributions as a percentage of covered employee payroll	0.00%	0.00%	4.02%
PERS 2/3	2016	2015	2014 *
Statutorily or contractually required contributions	\$ 321,229	\$ 263,805	\$ 227,331
Contributions in relation to the statutorily or contractually required contributions	321,229	263,805	227,331
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 5,173,382	\$ 4,669,550	\$ 4,529,576
Contributions as a percentage of covered employee payroll	6.21%	5.65%	5.02%
LEOFF 1	2016	2015	2014 *
Statutorily or contractually required contributions	\$ -	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	-	-	-
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%
LEOFF 2	2016	2015	2014 *
Statutorily or contractually required contributions	\$ 112,905	\$ 119,085	\$ 119,032
Contributions in relation to the statutorily or contractually required contributions	112,905	119,085	119,032
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 2,235,741	\$ 2,358,113	\$ 2,357,062
Contributions as a percentage of covered employee payroll	5.05%	5.05%	5.05%

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

SPOKANE AIRPORT BOARD
REQUIRED SUPPLEMENTAL INFORMATION

Other Postemployment Health Care Benefits

The following information is based on an actuarial report prepared on March 22, 2016, for the fiscal years ending December 31, 2016 and 2015.

Trend Information:

Other Postemployment Health Care Plan (LEOFF Plan 1)			
Schedule of Employer Contributions			
Fiscal Year Ended	Actual Contribution	Annual Required Contribution	% of Actual to Required Contribution
12/31/2014	\$ 197,024	\$ 4,011,054	4.91%
12/31/2015	199,647	3,235,892	6.17%
12/31/2016	177,110	3,792,954	4.67%

Funding Progress:

Other Postemployment Health Care Plan (LEOFF Plan 1)						
Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Compared to Covered Payroll
12/31/2014	-	\$ 3,917,226	\$ 3,917,226	0%	6,875	56977.8%
12/31/2015	-	3,114,590	3,114,590	0%	-	0.0%
12/31/2016	-	3,693,709	3,693,709	0%	-	0.0%

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

Employer Contributions:

Other Postemployment Health Care Plan (LEOFF Plan 1)				
Schedule of Trend Information				
Fiscal Year Ended	Annual OPEB Costs	Actual Contribution	Contribution as % of OPEB Costs	Net OPEB Obligation
12/31/2014	\$ (13,594)	\$ 197,024	-1449.35%	\$ 3,917,226
12/31/2015	(602,989)	199,647	-33.11%	3,114,590
12/31/2016	756,229	177,110	23.42%	3,693,709

Notes to RSI:

Actuarial assumptions:

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

Mortality Rates - life expectancies were based on RP2014 Mortality Table with 2016 Improvement Rates.

Medical Inflation Rate - the expected rate of medical inflation was 9% for 2016 and 2015 reduced by .5% per year until a level 5%.

Expenses - no assumption of asset expenses was made.

SPOKANE AIRPORT BOARD
REQUIRED SUPPLEMENTAL INFORMATION

Other Postemployment Health Care Benefits - (Continued)

Turnover Rate - the T2 Turnover Table was used.

Disability Rates - none were assumed.

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

Investment Rate of Return - a rate of 2.5% was used in 2016 for pre- and post-retirement, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The rates used for the 2015 and 2014 valuations were 2.5% and 2.0%, respectively.

Participants:

Members - As of December 31, 2016, there were 13 retired members.

Statistical Section



SPOKANE AIRPORT BOARD STATISTICAL INFORMATION GROUPS

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

**SPOKANE AIRPORT BOARD
SCHEDULE OF NET POSITION**

Fiscal Years Ended December 31

	2016	2015	2014 ¹
ASSETS			
Current Assets	\$ 35,261,154	\$ 37,117,418	\$ 42,960,697
Noncurrent Assets			
Other Noncurrent Assets	19,997,073	13,977,546	6,466,560
Capital Assets	263,714,060	270,723,339	271,533,942
Total Assets	318,972,287	321,818,303	320,961,199
DEFERRED OUTFLOW OF RESOURCES	1,231,285	603,135	292,965
LIABILITIES			
Current Liabilities	\$ 6,782,113	\$ 8,100,546	\$ 8,664,497
Non Current Liabilities			
Other Noncurrent Liabilities	12,437,263	11,496,951	10,993,570
Long-term debt, due in more than one year	8,865,616	11,546,038	14,390,997
Total Liabilities	28,084,992	31,143,535	34,049,064
DEFERRED INFLOW OF RESOURCES	195,476	1,018,778	2,136,654
NET POSITION			
Net Investment in capital assets	251,866,707	256,084,993	253,547,618
Restricted	23,170,196	17,228,070	10,559,373
Unrestricted	16,886,201	16,946,062	20,961,455
Total Net Position	\$291,923,104	\$290,259,125	\$285,068,446

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 68

**SPOKANE AIRPORT BOARD
SCHEDULE OF NET POSITION**

2013	2012	2011	2010	2009	2008	2007
\$ 45,508,746	\$ 45,342,523	\$ 48,538,487	\$ 42,179,500	\$ 47,844,031	\$ 43,373,328	\$ 18,638,594
8,413,356	7,366,982	7,510,352	6,732,834	9,224,975	16,869,860	26,670,881
259,955,461	255,529,286	247,657,219	234,136,254	208,916,396	179,634,207	158,914,319
313,877,563	308,238,791	303,706,058	283,048,588	265,985,402	239,877,395	204,223,794
-	-	-	-	-	-	-
\$ 12,790,448	\$ 11,369,189	\$ 8,550,251	\$ 9,882,185	\$ 10,922,278	\$ 7,976,860	\$ 5,221,572
9,348,524	9,358,826	9,701,630	8,912,751	8,532,910	8,245,154	7,049,551
17,695,857	20,790,431	23,784,143	26,457,516	26,582,981	28,294,376	13,104,767
39,834,829	41,518,446	42,036,024	45,252,452	46,038,169	44,516,390	25,375,890
-	-	-	-	-	-	-
237,963,305	229,895,863	217,956,169	205,244,923	179,430,874	151,578,723	144,423,377
14,361,161	12,483,282	12,519,225	11,415,113	14,861,034	16,330,126	26,443,967
21,718,268	24,341,200	31,194,640	21,136,100	25,655,325	27,452,156	7,980,560
\$274,042,734	\$266,720,345	\$261,670,034	\$237,796,136	\$219,947,233	\$195,361,005	\$178,847,904

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

Fiscal Years Ended December 31

	2016	2015	2014 ¹
Operating revenues:			
Airfield	\$ 5,352,771	\$ 4,474,681	\$ 3,967,783
Passenger terminal	12,163,996	11,549,505	10,971,883
Leased buildings	2,937,847	2,678,422	2,243,089
Leased areas	2,036,034	1,997,955	1,916,875
Parking	10,239,333	9,413,381	8,617,186
Other	366,006	122,579	119,581
Total Operating Revenue	33,095,987	30,236,523	27,836,397
Operating expenses:			
Airfield	9,986,991	8,281,472	8,946,017
Passenger terminal	5,026,242	4,507,214	4,361,006
Leased buildings	1,116,535	2,075,678	942,667
Parking	3,634,293	3,014,796	2,551,534
Administration and operations	4,704,379	4,638,465	4,597,557
Total Operating Expense	24,468,440	22,517,625	21,398,781
Operating income before depreciation	8,627,547	7,718,898	6,437,616
Depreciation	22,266,977	20,554,491	18,176,458
Operating income (loss)	(13,639,430)	(12,835,593)	(11,738,842)
Nonoperating revenues (expenses):			
Interest income	739,299	501,573	432,246
Interest expense, including amortization of bond premiums	(300,324)	(391,774)	(491,735)
Gain (loss) on disposition of assets	(28,769)	9,270	89,315
Gain (loss) on investments	(180,518)		-
Grant revenue	303,208	331,051	381,572
Grant expense	(303,208)	(331,051)	(373,773)
Transaction fee	3,191,471	3,090,745	2,738,343
Passenger facility charges	6,223,821	5,989,211	5,721,871
Total Nonoperating revenue (expenses)	9,644,980	9,199,025	8,497,839
Increase in net position before capital grants and related items	(3,994,450)	(3,636,568)	(3,241,003)
Capital contributions			
Federal AIP and other federal grants	5,492,114	8,827,247	18,081,544
State grants & other contributions	166,315	-	47,000
Total Capital Contributions	5,658,429	8,827,247	18,128,544
Increase In Net Position	1,663,979	5,190,679	14,887,541
Net Position, beginning of year, as previously stated	290,259,125	285,068,446	274,042,734
Cumulative effect of adoption of GASB 68	-	-	(3,861,829)
Net position, beginning of year, as restated	290,259,125	285,068,446	270,180,905
Net position, end of year	\$291,923,104	\$290,259,125	\$285,068,446

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 68

SPOKANE AIRPORT BOARD

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

2013	2012	2011	2010	2009	2008	2007
\$ 4,330,579	\$ 4,715,829	\$ 4,868,650	\$ 4,815,980	\$ 4,074,866	\$ 4,295,377	\$ 4,217,909
10,484,004	10,452,201	10,519,971	10,522,276	9,818,563	9,646,288	9,135,805
2,273,517	2,324,069	2,318,989	2,017,726	1,887,568	1,791,483	1,752,682
1,848,795	1,577,762	1,699,951	1,598,592	1,459,603	1,470,687	1,190,717
8,380,053	8,317,095	8,410,865	8,523,998	8,309,996	9,368,490	8,635,122
152,856	99,065	153,996	121,011	181,656	132,326	113,629
27,469,804	27,486,021	27,972,422	27,599,583	25,732,252	26,704,651	25,045,864
8,952,352	8,041,863	8,536,085	7,490,835	6,947,641	6,509,011	5,594,744
4,343,695	3,962,181	4,060,664	3,624,156	3,922,996	4,005,179	3,399,671
1,368,734	1,028,150	611,989	642,503	392,230	866,034	888,318
2,820,033	2,153,263	1,932,412	1,529,511	1,338,322	1,081,292	1,004,258
4,774,382	3,993,964	4,060,758	5,153,054	4,039,907	6,298,571	5,725,879
22,259,196	19,179,421	19,201,908	18,440,059	16,641,096	18,760,087	16,612,870
5,210,608	8,306,600	8,770,514	9,159,524	9,091,156	7,944,564	8,432,994
16,779,037	14,986,692	13,324,266	11,463,381	9,232,226	8,983,494	9,073,983
(11,568,429)	(6,680,092)	(4,553,752)	(2,303,857)	(141,070)	(1,038,930)	(640,989)
423,440	576,935	516,388	401,232	927,056	1,908,165	1,959,975
(582,921)	(675,831)	(763,536)	(1,244,145)	(1,316,724)	(1,083,722)	(790,878)
213,000	(23,709)	(957,231)	(2,078,903)	(10,150)	(58,058)	-
-	-	-	-	-	-	-
314,874	482,895	447,913	343,268	608,551	-	2,970,000
(295,652)	(451,006)	(426,424)	(343,268)	(608,551)	-	(2,970,000)
2,691,068	2,263,582	2,119,929	2,031,312	1,935,327	2,322,987	2,356,552
5,650,426	5,763,073	6,013,364	6,480,728	5,974,672	6,839,096	6,813,158
8,414,235	7,935,939	6,950,403	5,590,224	7,510,181	9,928,468	10,338,807
(3,154,194)	1,255,847	2,396,651	3,286,367	7,369,111	8,889,538	9,697,818
10,476,583	3,294,464	21,865,445	13,026,472	16,683,358	7,623,563	3,583,467
-	500,000	-	1,536,064	533,759	-	-
10,476,583	3,794,464	21,865,445	14,562,536	17,217,117	7,623,563	3,583,467
7,322,389	5,050,311	24,262,096	17,848,903	24,586,228	16,513,101	13,281,285
266,720,345	261,670,034	237,796,136	-	-	-	-
-	-	(388,198)	-	-	-	-
266,720,345	261,670,034	237,407,938	219,947,233	195,361,005	178,847,904	165,566,619
\$274,042,734	\$266,720,345	\$261,670,034	\$237,796,136	\$219,947,233	\$195,361,005	\$178,847,904

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

Fiscal Years Ended December 31

	2016	2015	2014 ¹
	Spokane International Airport	Spokane International Airport	Spokane International Airport
Operating revenue:			
Airfield	\$ 5,305,671	\$ 4,431,776	\$ 3,932,013
Passenger terminal	12,136,938	11,514,106	10,846,392
Leased buildings	1,113,068	1,132,383	831,173
Leased areas	1,426,503	1,402,335	1,343,875
Parking	10,239,333	9,413,381	8,617,186
Other	235,991	112,231	87,471
Total Operating Income	30,457,504	28,006,212	25,658,110
Operating expenses:			
Airfield	9,888,115	8,145,688	8,775,411
Passenger terminal	4,848,628	4,449,826	4,306,244
Leased buildings	563,129	1,026,997	421,634
Parking	3,634,293	3,014,796	2,551,534
Administration and operations	4,310,452	4,051,309	3,997,421
Total Operating Expenses	23,244,617	20,688,616	20,052,244
Operating income before depreciation	7,212,887	7,317,596	5,605,866
Depreciation	20,709,014	19,262,846	17,103,075
Operating income (loss)	(13,496,127)	(11,945,250)	(11,497,209)
Nonoperating income (expense):			
Other nonoperating income (expenses)	313,634	183,156	114,680
Transaction fee	3,191,471	3,090,745	2,738,343
Passenger facility charges	6,223,821	5,989,211	5,721,871
Total Nonoperating income (expense)	9,728,926	9,263,112	8,574,894
Increase in net position before capital grants and related items	(3,767,201)	(2,682,138)	(2,922,315)
Capital contributions			
AIP and other federal grants	521,127	8,672,131	15,765,085
Other	-	-	-
State grants	-	-	-
Total Capital Contributions	521,127	8,672,131	15,765,085
Increase In Net Position	\$ (3,246,074)	\$ 5,989,993	\$ 12,842,770

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 68

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

2013	2012	2011	2010	2009	2008	2007
Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport
\$ 4,297,210	\$ 4,680,552	\$ 4,828,015	\$ 4,769,467	\$ 4,052,470	\$ 4,251,145	\$ 4,159,201
10,356,832	10,323,463	10,345,751	10,327,173	9,517,920	9,366,965	8,878,503
790,627	731,372	729,172	593,182	539,443	544,081	523,871
1,277,621	1,076,628	1,241,546	1,022,766	948,406	990,943	780,680
8,380,053	8,317,095	8,410,865	8,523,998	8,309,996	9,368,490	8,635,122
136,839	92,041	153,996	109,724	169,408	130,699	110,676
25,239,182	25,221,151	25,709,345	25,346,310	23,537,643	24,652,323	23,088,053
8,773,024	7,961,434	8,355,216	7,175,460	6,586,512	5,983,456	5,301,221
4,290,847	3,909,329	3,956,630	3,550,715	3,730,980	3,846,642	3,214,283
316,013	601,263	208,547	356,690	136,579	490,518	418,787
2,820,033	2,153,263	1,932,412	1,529,511	1,338,322	1,081,292	1,004,258
4,201,351	3,385,093	3,503,278	4,740,545	3,648,729	5,888,267	5,295,178
20,401,268	18,010,382	17,956,083	17,352,921	15,441,122	17,290,176	15,233,727
4,837,914	7,210,769	7,753,262	7,993,389	8,096,521	7,362,147	7,854,326
15,739,751	14,046,683	12,358,452	10,652,847	8,317,873	8,208,185	8,397,849
(10,901,837)	(6,835,914)	(4,605,190)	(2,659,458)	(221,352)	(846,037)	(543,523)
(60,158)	(116,776)	(1,176,132)	(2,805,571)	(267,725)	3,717,725	(1,800,903)
2,691,068	2,263,582	2,119,929	2,031,312	1,935,327	2,322,987	2,356,552
5,650,426	5,763,073	6,013,364	6,480,728	5,974,672	6,839,096	6,813,158
8,281,336	7,909,879	6,957,161	5,706,469	7,642,274	12,879,808	7,368,807
(2,620,501)	1,073,965	2,351,971	3,047,011	7,420,922	12,033,771	6,825,284
6,116,754	1,550,985	21,704,726	12,620,922	16,169,758	7,108,436	3,333,467
-	500,000	-	270,929	-	-	2,970,000
-	-	-	78,391	533,759	-	-
6,116,754	2,050,985	21,704,726	12,970,242	16,703,517	7,108,436	6,303,467
\$ 3,496,253	\$ 3,124,950	\$ 24,056,697	\$ 16,017,253	\$ 24,124,439	\$ 19,142,207	\$ 13,128,751

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

Fiscal Years Ended December 31

	<u>2016</u>	<u>2015</u>	<u>2014¹</u>
	<u>Airport Business Park</u>	<u>Airport Business Park</u>	<u>Airport Business Park</u>
Operating revenue:			
Airfield	\$ -	\$ -	\$ -
Passenger terminal	-	-	-
Leased buildings	1,533,543	1,258,204	1,242,930
Leased areas	240,162	242,389	237,144
Parking	-	-	-
Other	129,845	10,257	17,972
Total Operating Income	<u>1,903,550</u>	<u>1,510,850</u>	<u>1,498,046</u>
Operating expenses:			
Airfield	-	-	-
Passenger terminal	-	-	-
Leased buildings	595,892	828,682	424,278
Parking	-	-	-
Administration and operations	168,405	268,524	238,336
Total Operating Expenses	<u>764,297</u>	<u>1,097,206</u>	<u>662,614</u>
Operating income before depreciation	1,139,253	413,644	835,432
Depreciation	<u>470,754</u>	<u>430,080</u>	<u>424,463</u>
Operating income (loss)	<u>668,499</u>	<u>(16,436)</u>	<u>410,969</u>
Nonoperating income (expense):			
Other nonoperating income (expenses)	(74,778)	(69,064)	(82,261)
Transaction fee	-	-	-
Passenger facility charges	-	-	-
Total Nonoperating income (expense)	<u>(74,778)</u>	<u>(69,064)</u>	<u>(82,261)</u>
Increase in net position before capital grants and related items	<u>593,721</u>	<u>(85,500)</u>	<u>328,708</u>
Capital contributions			
Federal AIP grants	-	-	-
State grants	-	-	-
Total Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) In Net Position	<u>\$ 593,721</u>	<u>\$ (85,500)</u>	<u>\$ 328,708</u>

Source: Spokane Airport Finance Dept.:

¹ This year has been restated to reflect the adoption of GASB 68

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

2013	2012	2011	2010	2009	2008	2007
Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
1,337,232	1,358,385	1,372,183	1,327,862	1,248,585	1,158,052	1,127,881
233,593	232,757	195,124	190,189	277,818	245,255	204,668
-	-	-	-	-	-	-
15,807	10,111	-	17,310	9,502	1,575	2,953
1,586,632	1,601,253	1,567,307	1,535,361	1,535,905	1,404,882	1,335,502
-	-	102,799	124,814	136,796	343,742	188,889
-	-	48	(104)	59,958	78,532	82,152
966,712	346,368	269,286	206,239	171,383	297,367	325,716
-	-	-	-	-	-	-
250,968	269,499	271,551	264,317	233,812	267,211	308,323
1,217,680	615,867	643,684	595,266	601,949	986,852	905,080
368,952	985,386	923,623	940,095	933,956	418,030	430,422
421,069	452,050	486,735	363,105	545,935	434,388	318,354
(52,117)	533,336	436,888	576,990	388,021	(16,358)	112,068
(87,355)	8,831	(17,362)	(119,875)	(132,093)	(135,612)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(87,355)	8,831	(17,362)	(119,875)	(132,093)	(135,612)	-
(139,472)	542,167	419,526	457,115	255,928	(151,970)	112,068
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ (139,472)	\$ 542,167	\$ 419,526	\$ 457,115	\$ 255,928	\$ (151,970)	\$ 112,068

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

Fiscal Years Ended December 31

	2016	2015	2014 ¹
	Felts Field Airport	Felts Field Airport	Felts Field Airport
Operating revenue:			
Airfield	\$ 47,100	\$ 42,905	\$ 35,770
Passenger terminal	27,058	35,399	125,491
Leased buildings	291,236	287,835	168,986
Leased areas	369,369	353,231	335,856
Other	170	91	14,138
Total Operating Income	734,933	719,461	680,241
Operating expenses:			
Airfield	98,876	135,784	170,606
Passenger terminal	177,614	57,388	54,762
Leased buildings	(42,486)	219,999	96,755
Parking	-	-	-
Administration and operations	225,522	318,632	361,800
Total Operating Expenses	459,526	731,803	683,923
Operating income before depreciation	275,407	(12,342)	(3,682)
Depreciation	1,087,209	861,565	648,920
Operating income (loss)	(811,802)	(873,907)	(652,602)
Nonoperating income (expense):			
Other nonoperating income (expense)	(9,168)	4,977	5,206
Transaction fee	-	-	-
Passenger facility charges	-	-	-
Total Nonoperating income (expense)	(9,168)	4,977	5,206
Increase in net position before capital grants and related items	(820,970)	(868,930)	(647,396)
Capital contributions			
AIP and other federal grants	4,970,987	155,116	2,316,459
Other	-	-	47,000
State	166,315	-	-
Total Capital Contributions	5,137,302	155,116	2,363,459
Increase (Decrease) In Net Position	\$ 4,316,332	\$ (713,814)	\$ 1,716,063

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 68

SPOKANE AIRPORT BOARD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-FELTS FIELD

2013	2012	2011	2010	2009	2008	2007
Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport
\$ 33,369	\$ 35,277	\$ 40,635	\$ 46,513	\$ 22,396	\$ 44,232	\$ 58,708
127,172	128,738	174,220	195,103	194,604	192,813	192,671
145,658	234,312	217,634	96,682	99,540	89,350	100,930
337,581	268,377	263,281	385,637	339,418	320,999	270,000
210	(3,087)	-	(6,023)	2,746	52	-
643,990	663,617	695,770	717,912	658,704	647,446	622,309
179,328	80,429	78,070	190,561	224,333	181,814	104,634
52,848	52,852	103,986	73,545	132,058	80,005	103,236
86,009	80,519	134,156	79,574	84,268	78,149	143,815
-	-	-	-	-	-	-
322,063	339,372	285,929	148,192	157,366	143,093	122,378
640,248	553,172	602,141	491,872	598,025	483,061	474,063
3,742	110,445	93,629	226,040	60,679	164,386	148,246
618,217	487,959	479,079	447,429	368,418	340,921	357,780
(614,475)	(377,514)	(385,450)	(221,389)	(307,739)	(176,535)	(209,534)
220,254	17,229	10,604	3,630	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
220,254	17,229	10,604	3,630	-	-	-
(394,221)	(360,285)	(374,846)	(217,759)	(307,739)	(176,535)	(209,534)
4,359,829	1,743,479	160,719	405,550	513,600	515,127	-
-	-	-	1,186,744	-	-	-
-	-	-	-	-	-	-
4,359,829	1,743,479	160,719	1,592,294	513,600	515,127	-
\$ 3,965,608	\$ 1,383,194	\$ (214,127)	\$ 1,374,535	\$ 205,861	\$ 338,592	\$ (209,534)

**SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE SOURCES**

Fiscal Years Ended December 31

	2016	2015	2014	2013
Landing fees	\$ 4,500,487	\$ 3,730,495	\$ 3,244,491	\$ 3,559,238
Leased buildings and land	4,973,881	4,676,377	4,159,964	4,122,312
Rental cars	8,734,510	8,344,923	7,552,129	7,208,270
Parking lots	10,239,333	9,413,381	8,617,186	8,380,053
PFC	6,223,821	5,989,211	5,721,871	5,650,426
Transaction fee	3,191,471	3,090,745	2,738,343	2,691,068
Interest revenue	739,299	501,573	432,246	423,440
Total	<u>\$ 38,602,802</u>	<u>\$ 35,746,705</u>	<u>\$ 32,466,230</u>	<u>\$ 32,034,807</u>

Source: Spokane Airport Finance Dept.

**SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE SOURCES**

	2012		2011		2010		2009		2008		2007
\$	3,933,870	\$	3,969,729	\$	4,024,944	\$	3,471,593	\$	3,428,228	\$	3,398,477
	3,901,831		4,018,940		3,616,318		3,347,171		3,262,170		2,943,399
	6,413,052		6,633,898		6,342,177		6,118,042		6,476,079		6,112,900
	8,317,095		8,410,865		8,523,998		8,309,996		9,368,490		8,641,337
	5,763,073		6,013,364		6,480,728		5,974,672		6,839,096		6,813,158
	2,263,582		2,119,929		2,031,312		1,935,327		2,322,987		2,356,552
	576,935		516,388		401,232		927,056		1,908,165		1,959,975
\$	31,169,438	\$	31,683,113	\$	31,420,709	\$	30,083,857	\$	33,605,215	\$	32,225,798

SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE PAYERS

Fiscal Years Ended December 31

	2016	2015	2014	2013
Airlines				
Alaska	\$ 2,150,004	\$ 2,039,808	\$ 1,807,697	\$ 719,372
American	571,597	178,888		
US Airways	-	458,765	601,033	625,613
Delta	2,713,196	2,366,786	1,751,495	1,669,190
Frontier	-	-	353,739	354,415
Northwest	-	-	-	-
Southwest	2,158,340	1,867,929	1,687,789	1,821,016
United	971,559	950,827	868,638	868,563
Horizon	1,020,064	928,603	778,935	2,038,311
Skywest	-	-	-	-
Fed Ex	698,059	593,287	562,916	562,044
UPS	577,803	489,145	438,649	470,928
Total	10,860,620	9,874,038	8,850,891	9,129,452
Rental Cars				
Avis	1,185,806	1,125,126	1,069,628	1,026,070
Budget	949,582	936,582	873,780	868,038
Dollar	-	-	-	-
Enterprise	1,492,060	1,399,785	1,073,449	1,144,307
Hertz	1,833,140	1,866,968	1,762,453	1,715,856
National	1,985,038	1,822,921	1,515,865	1,271,840
Thrifty	1,288,883	1,193,541	1,256,954	1,182,159
Total	8,734,510	8,344,923	7,552,129	7,208,270
Parking	10,239,333	9,413,381	8,617,186	8,380,053
Total	<u>\$ 29,834,463</u>	<u>\$ 27,632,342</u>	<u>\$ 25,020,206</u>	<u>\$ 24,717,775</u>

Source: Spokane Airport Finance Dept.

**SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE PAYERS**

2012	2011	2010	2009	2008	2007
\$ 668,526	\$ 562,394	\$ 605,124	\$ 663,586	\$ 655,816	\$ 689,513
627,818	569,800	659,434	450,639	412,491	389,421
1,565,516	1,554,431	1,273,941	260,857	227,681	180,244
548,971	491,614	428,817	270,844	217,674	174,504
-	-	14,134	511,978	487,557	462,988
1,952,076	2,149,286	2,220,698	1,767,548	1,694,062	1,641,858
933,089	842,011	1,174,456	692,920	763,678	714,279
1,927,097	1,831,580	1,880,897	1,414,506	1,371,750	1,383,071
30,733	44,103	2,055	516,717	357,581	404,654
531,599	520,419	402,933	307,746	293,555	306,187
488,111	475,290	470,151	421,738	400,358	365,459
9,273,536	9,040,928	9,132,640	7,279,079	6,882,203	6,712,178
1,052,031	1,014,621	935,431	940,039	975,586	1,043,889
905,528	832,744	783,691	956,974	992,640	998,673
376,883	515,593	528,080	496,416	581,564	495,908
738,914	995,483	836,623	739,739	892,117	778,980
1,705,194	1,469,630	1,466,030	1,309,490	1,411,182	1,292,296
910,691	1,216,155	1,212,578	1,081,109	1,018,338	903,136
723,811	589,672	579,744	594,275	604,652	600,018
6,413,052	6,633,898	6,342,177	6,118,042	6,476,079	6,112,900
8,317,095	8,410,865	8,523,998	8,309,996	9,368,490	8,641,337
\$ 24,003,683	\$ 24,085,691	\$ 23,998,815	\$ 21,707,117	\$ 22,726,772	\$ 21,466,415

SPOKANE AIRPORT BOARD RATES AND CHARGES

Fiscal Years Ended December 31

	2016	2015	2014	2013
Landing Fees (per each 1,000 lbs.)	1.98	1.72	1.52	1.73
Annual Terminal Rentals (per sq. ft.)				
Ticket Counter	48.84	49.92	48.96	46.46
Office	36.63	47.52	46.54	44.31
Baggage Area	36.63	48.96	46.54	44.31
Annual Cargo Building Rental (per sq. ft.)	9.35	9.12	8.88	8.38
Monthly Gate Parking	450.00	425.00	425.00	425.00
Monthly Jet Bridge	1,800.00	1,700.00	1,560.00	1,560.00

Source: Spokane International Airport Property Management

**SPOKANE AIRPORT BOARD
RATES AND CHARGES**

2012	2011	2010	2009	2008	2007
1.79	1.73	1.73	1.50	1.32	1.28
44.16	44.16	44.16	38.35	36.35	34.95
42.12	42.12	42.12	36.67	34.76	33.42
42.12	42.12	42.12	36.67	25.28	24.31
7.97	7.97	7.97	6.93	6.57	6.32
425.00	425.00	425.00	369.88	350.60	333.90
1,560.00	1,560.00	1,560.00	1,356.22	1,285.52	1,224.30

SPOKANE AIRPORT BOARD

CAPITAL ASSETS AND OTHER AIRPORT INFORMATION

Airport Code:	GEG; SFF	
FAA Category:	Primary commercial service airport, small hub	
Elevation:	2,385 feet above sea level	
Port of Entry:	Federal Inspection Station, U.S. Customs and Border Protection Service for clearing international general aviation, corporate aircraft, and charter flight for entry into the United States.	
About GEG:	Spokane International Airport (GEG) is a 5,650 acre commercial service airport served by six airlines and two air cargo carriers. SIA is jointly owned by Spokane County and the City of Spokane, and is the second busiest airport in the State of Washington in terms of passenger and cargo service.	
About SFF:	Felts Field (SFF) is a 400 acre general reliever airport that is home to 176 based aircraft and approximately 85 tenants and 200 sub-tenants. The airport has a mix of commercial operators including a full-service Fixed Base Operator, avionics services provider, fixed and rotary wing aircraft flight schools, aircraft maintenance training programs, a significant regional medevac operator, a metals fabricator, and an aircraft power-plant modification firm with a global clientele.	
About the Business Park:	The Airport Business Park is adjacent to Spokane International Airport and has approximately 540 acres available for development across nine development categories. The Business Park is home to the region's post office sorting facility, warehousing, manufacturing, and shipping facilities.	
Location:	GEG is located in Spokane County, the largest metropolitan area in the region and in the eastern half of the state. GEG is located southwest of downtown Spokane and southeast of Airway Heights. SFF is located on the Spokane River with 6,000 feet of river frontage; it has the ability to accommodate water landings. Spokane's location with regard to other major cities is as follows: Seattle is 280 miles west; Portland is 344 miles to the southwest; Boise is 428 miles south; and Vancouver BC (Canada) is 409 miles northwest.	
Terminal:	The GEG terminal building includes three concourse areas, (A, B, and C) with a combined total of 25 gates- 11 ground boarding and 14 with passenger boarding bridges (PBB). The consolidated rental car facility is located at the north end of the terminal building. Two parking structures are connected to the terminal by skywalks.	
Runways:	3-21 GEG 7-25 GEG 4L-22R SFF 4R-22L SFF	11,002 ft. long, 150 ft. wide 8,199 ft. long, 150 ft. wide 4,499 ft. long, 150 ft. wide 2,650 ft. long, 75 ft. wide
Consolidated rental car facility:	Number of companies Quick turnaround bays	8 20
Public parking lots:	Parking Garage Outside Lot C-Concourse Lot Economy Hourly Cell Phone Employee	2,610 spaces 1,495 spaces 805 spaces 1,845 spaces 83 spaces 85 spaces 594 spaces

Source: Spokane Airport Finance Dept.

Spokane Airport BOARD
NUMBER OF EMPLOYEES BY DEPARTMENT

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

** includes overhires*

*** includes part time employees*

Source: Spokane Airport Finance Dept.

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

Fiscal Years Ended December 31

Fiscal Years Ended December 31			2016		2015	
	Market Share		Market Share			
	2016	%	2015	%	2014	
Enplanements						
Alaska	216,295	13.42%	220,189	14.06%	186,333	
American	59,316	3.68%	15,933	1.02%	-	
US Airways	-	0.00%	55,557	3.55%	64,111	
Delta	386,343	23.97%	364,218	23.25%	291,517	
Express Jet	-	0.00%	-	0.00%	-	
Frontier	-	0.00%	545	0.03%	49,952	
Northwest	-	0.00%	-	0.00%	-	
Southwest	381,078	23.64%	371,425	23.71%	365,110	
United	106,785	6.62%	104,631	6.68%	100,033	
Horizon	458,348	28.43%	431,215	27.53%	431,508	
Skywest	-	0.00%	-	0.00%	-	
Other	3,878	0.24%	2,619	0.17%	4,662	
Total Enplanements	1,612,043	100%	1,566,332	100%	1,493,226	
Deplanements						
Alaska	206,048	12.70%	207,997	13.27%	177,144	
American	59,307	3.66%	15,107	0.96%	-	
US Airways	-	0.00%	56,487	3.60%	65,744	
Delta	394,415	24.32%	359,394	22.94%	294,398	
Express Jet	-	0.00%	-	0.00%	-	
Frontier	-	0.00%	490	0.03%	50,657	
Northwest	-	0.00%	-	0.00%	-	
Southwest	380,931	23.48%	371,284	23.69%	362,178	
United	106,776	6.58%	103,780	6.62%	99,006	
Horizon	470,359	29.00%	449,372	28.68%	439,853	
Skywest	-	0.00%	-	0.00%	-	
Other	4,216	0.26%	3,099	0.20%	4,446	
Total Deplanements	1,622,052	100%	1,567,010	100%	1,493,426	
Total Passengers	3,234,095		3,133,342		2,986,652	
Air-Freight (2,000 lbs)						
Airborne	-		-		-	
Airpac	-		-		78.34	
Ameriflight	583.11		556.28		539.77	
Empire	3,244.85		4,301.92		3,648.58	
Fed Ex	39,824.39		38,045.88		37,996.97	
UPS	22,230.42		24,509.98		21,632.54	
Western Air Express	-		0.32		-	
Total cargo only freight	65,882.76		67,414.38		63,896.20	
Passenger carrier freight	1,641.78		1,803.18		1,722.66	
Total Freight	67,524.54		69,217.56		65,618.86	
Operations						
SIA - Landings and Takeoffs	62,439		65,032		64,409	
Felts Field - Landings and Takeoffs	54,313		50,729		54,881	

Source: Spokane Airport Finance Dept.

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

2013	2012	2011	2010	2009	2008	2007
126,587	114,815	113,721	119,974	158,094	187,683	222,694
-	-	-	-	-	-	-
67,596	71,042	75,178	78,140	80,822	81,421	78,243
282,677	270,645	258,160	260,388	72,867	75,136	64,289
-	-	-	-	-	55,912	54,893
57,609	99,260	86,329	72,825	71,050	73,451	61,141
-	-	-	6,751	99,990	105,911	105,651
367,239	396,284	460,761	475,338	432,993	476,902	488,998
99,284	120,743	130,371	171,674	91,693	141,780	150,295
457,839	429,053	404,853	406,250	403,553	445,938	415,606
-	-	-	-	115,559	68,967	100,112
7,870	1,576	2,471	1,767	1,334	2,662	1,458
1,466,701	1,503,418	1,531,844	1,593,107	1,527,955	1,715,763	1,743,380
129,477	113,941	115,694	123,243	156,364	185,677	215,605
-	-	-	-	-	-	-
67,866	71,560	75,388	79,636	81,628	80,370	78,411
280,248	269,613	266,624	258,420	75,777	78,969	60,971
-	-	-	-	-	56,014	53,360
55,801	96,820	84,892	69,341	68,123	73,314	62,392
-	-	-	6,550	95,594	100,728	102,802
366,286	395,415	457,915	473,328	432,138	473,976	487,350
98,207	123,274	129,905	170,316	89,899	138,325	146,918
454,931	430,184	407,994	405,795	407,576	448,167	419,145
-	-	-	-	118,348	68,097	100,061
7,341	1,439	2,316	1,880	1,679	2,710	1,506
1,460,157	1,502,246	1,540,728	1,588,509	1,527,126	1,706,347	1,728,521
2,926,858	3,005,664	3,072,572	3,181,616	3,055,081	3,422,110	3,471,901
-	-	-	-	-	3,023.50	2,696.10
127.75	149.38	116.88	129.23	187.10	207.90	204.10
522.39	464.79	446.69	359.47	407.30	275.20	547.50
3,892.29	3,710.07	3,851.39	3,858.73	4,284.30	4,613.50	4,228.60
36,538.94	33,178.58	32,186.93	31,884.04	31,089.00	33,860.30	36,944.40
21,313.16	22,878.98	16,725.22	10,266.86	9,633.70	8,474.30	8,268.60
0.20	1.99	9.97	57.66	39.50	45.90	37.40
62,394.73	60,383.79	53,337.08	46,555.99	45,640.90	50,500.60	52,926.70
1,750.85	989.83	1,102.94	1,183.60	1,270.00	1,572.50	1,821.80
64,145.58	61,373.62	54,440.02	47,739.59	46,910.90	52,073.10	54,748.50
65,063	67,131	76,068	79,120	81,397	94,681	101,614
54,293	52,928	59,716	63,496	66,919	65,834	69,788

SPOKANE AIRPORT BOARD
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED

Program	Application Approved Number	Amount Authorized	Collection Level	Period Beginning Cumulative Collections	Current PFC Revenues
Quarter Ended March 31, 2016					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120	4.50	\$ 7,472,962	\$ 884,548
				<u>7,472,962</u>	<u>884,548</u>
Quarter Ended June 30, 2016					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120	4.50	8,364,312	1,434,889
				<u>8,364,312</u>	<u>1,434,889</u>
Quarter Ended September 30, 2016					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120	4.50	9,811,224	1,525,305
				<u>9,811,224</u>	<u>1,525,305</u>
Quarter Ended December 31, 2016					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120	4.50	11,352,483	2,316,610
				<u>11,352,483</u>	<u>2,316,610</u>
Year Ended December 31, 2016					
Passenger Facility Charges	15-10-C-00-GEG	15,036,120	4.50	\$ 7,472,962	\$ 6,161,351
Cumulative Year Ended 12/31/16				<u>\$ 7,472,962</u>	<u>\$ 6,161,351</u>

Note: This schedule is prepared on an accrual basis

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED

<u>Current Interest Earned</u>	<u>Period Ending Cumulative Collections</u>	<u>Remaining Collection Authority</u>	<u>Beginning Cumulative Expenditures</u>	<u>Current Expenditures</u>	<u>Ending Cumulative Expenditures</u>	<u>Collections vs. Expenditures</u>
<u>\$ 6,802</u>	<u>\$ 8,364,312</u>	<u>\$ 6,671,808</u>	<u>\$ 1,622,327</u>	<u>\$ 65,442</u>	<u>\$ 1,687,769</u>	<u>\$ 6,676,542</u>
6,802	8,364,312	6,671,808	1,622,327	65,442	1,687,769	6,676,542
<u>12,023</u>	<u>9,811,224</u>	<u>5,224,896</u>	<u>1,687,769</u>	<u>8,016</u>	<u>1,695,785</u>	<u>8,115,439</u>
12,023	9,811,224	5,224,896	1,687,769	8,016	1,695,785	8,115,439
<u>15,955</u>	<u>11,352,483</u>	<u>3,683,637</u>	<u>1,695,785</u>	<u>21,360</u>	<u>1,717,144</u>	<u>9,635,339</u>
15,955	11,352,483	3,683,637	1,695,785	21,360	1,717,144	9,635,339
<u>27,690</u>	<u>13,696,783</u>	<u>1,339,337</u>	<u>1,717,144</u>	<u>317,874</u>	<u>2,035,018</u>	<u>11,661,765</u>
27,690	13,696,783	1,339,337	1,717,144	317,874	2,035,018	11,661,765
<u>\$ 62,470</u>	<u>\$ 13,696,783</u>	<u>\$ 1,339,337</u>	<u>\$ 1,622,327</u>	<u>\$ 412,691</u>	<u>\$ 2,035,018</u>	<u>\$ 11,661,765</u>
<u>\$ 62,470</u>	<u>\$ 13,696,783</u>	<u>\$ 1,339,337</u>	<u>\$ 1,622,327</u>	<u>\$ 412,691</u>	<u>\$ 2,035,018</u>	<u>\$ 11,661,765</u>

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

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

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

<u>Application #</u>	<u>Project #</u>	<u>Description</u>	<u>Authorized</u>	<u>Revenues & Interest</u>	<u>Expenditures</u>
05-05-C-GEG CLOSED					
	05-002	Land acquisition.			1,542,965
	05-003	Perimeter road construction.			1,224,460
	05-004	Planning study.			112,470
	05-005	Terminal rotunda and concourse C enhancements.			10,334,041
		Totals 05-05-C-GEG	13,213,936	13,213,936	13,213,936
06-06-C-GEG CLOSED					
	06-002	Security Upgrade.			186,463
	06-003	Acquire SRE Equipment.			971,226
	06-004	Planning and Design for Runway 03 Extension.			416,577
		Totals 06-06-C-GEG	1,574,266	1,574,266	1,574,266
09-07-U-GEG CLOSED					
	06-005 / 07-001	Construction of Runway 03 Extension.			31,636,556
		Totals 06-06-I & 09-07-U-GEG	31,636,556	31,636,556	31,636,556
10-08-C-00-GEG CLOSED					
	08-001	Master Plan Update			850,000
		Totals 10-08-C-GEG	850,000	850,000	850,000
11-09-C-00-GEG CLOSED					
	09-001	Construct Snow Removal Equipment Building.			8,765,064
	09-002	Acquire Snow Removal Equipment.			5,157,224
	09-003	Acquire Glycol Recovery Equipment.			1,335,345
	09-004	PFC Administration.			57,331
		Totals 10-09-C-GEG	15,314,964	15,314,964	15,314,964
15-10-C-00-GEG					
	10-001	Terminal Area Plan (Planning Study).	1,650,000		1,650,000
	10-002	Airfield Perimeter Security Enhancement.	5,000,000		39,140
	10-003	Replacement of Flight Information Display Systems (FIDS) &	3,500,000		7,877
	10-004	Terminal Access Control Enhancements.	2,500,000		7,877
	10-006	Glycol Recovery Solution Design.	1,500,000		45,388
	10-008	Elevator Replacement.	850,000		1,491
	10-009	PFC Administration Costs.	36,120		36,120
		Totals 10-10-C-GEG	15,036,120	1,787,893	1,787,893
		Total Unliquidated Balance		11,166,300	
		Grand Total	\$ 134,678,692	\$ 132,596,765	\$ 121,430,465

SPOKANE AIRPORT BOARD
RATIO OF OUTSTANDING DEBT BY TYPE

For Fiscal Years ended December 31

	2016	2015	2014	2013
Outstanding Debt				
Revenue Bonds	\$ 5,540,000	\$ 7,734,200	\$ 10,832,506	\$ 13,839,985
Junior Lien Revenue Loan	5,952,622	6,406,797	6,860,514	6,950,445
Capital Leases	-	-	-	-
PFC Revenue Bonds	-	-	-	-
Total Outstanding Debt	\$ 11,492,622	\$ 14,140,997	\$ 17,693,020	\$ 20,790,430
Enplaned passengers	1,612,043	1,566,332	1,493,226	1,466,701
Outstanding debt per enplaned passenger	\$ 7.13	\$ 9.03	\$ 11.85	\$ 14.17
Operating Revenues	\$ 33,095,987	\$ 30,236,523	\$ 27,836,397	\$ 27,469,804
Ratio of outstanding debt to operating revenue	\$ 0.35	\$ 0.47	\$ 0.64	\$ 0.76
Debt Service Ratios				
Debt Principal	\$ 2,594,960	\$ 3,552,022	\$ 3,097,411	\$ 2,993,712
Debt interest	300,324	391,774	491,735	582,921
Total Debt Service	\$ 2,895,284	\$ 3,943,796	\$ 3,589,146	\$ 3,576,633
Enplaned passengers	1,612,043	1,566,332	1,493,226	1,466,701
Debt Service per enplaned passenger	\$ 1.80	\$ 2.52	\$ 2.40	\$ 2.44
Total operating expenses	\$ 24,468,440	\$ 22,517,625	\$ 21,398,781	\$ 22,259,196
Ratio of outstanding debt to total expense	\$ 0.47	\$ 0.63	\$ 0.83	\$ 0.93

Source: Spokane Airport Finance Dept.

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

2012	2011	2010	2009	2008	2007
\$ 16,747,463	\$ 19,569,943	\$ 22,307,442	\$ 26,749,491	\$ 29,981,482	\$ 13,129,764
7,036,680	7,122,059	6,972,108	3,250,000	1,550,000	1,550,000
-	35,501	-	-	16,325	38,092
-	-	-	-	-	-
\$ 23,784,143	\$ 26,727,503	\$ 29,279,550	\$ 29,999,491	\$ 31,547,807	\$ 14,717,856
1,503,418	1,531,844	1,593,107	1,527,955	1,715,763	1,743,380
\$ 15.82	\$ 17.45	\$ 18.38	\$ 19.63	\$ 18.39	\$ 8.44
\$ 27,486,021	\$ 27,972,422	\$ 27,599,583	\$ 25,732,252	\$ 26,704,651	\$ 27,402,416
\$ 0.87	\$ 0.96	\$ 1.06	\$ 1.17	\$ 1.18	\$ 0.54
\$ 2,943,359	\$ 2,822,014	\$ 3,373,406	\$ 3,216,325	\$ 2,501,767	\$ 1,525,442
675,831	763,536	1,198,450	1,316,724	1,083,722	790,878
\$ 3,619,190	\$ 3,585,550	\$ 4,571,856	\$ 4,533,049	\$ 3,585,489	\$ 2,316,320
1,503,418	1,531,844	1,593,107	1,527,955	1,715,763	1,743,380
\$ 2.41	\$ 2.34	\$ 2.87	\$ 2.97	\$ 2.09	\$ 1.33
\$ 19,179,421	\$ 19,201,908	\$ 18,440,059	\$ 16,641,096	\$ 18,760,087	\$ 16,612,870
\$ 1.24	\$ 1.39	\$ 1.59	\$ 1.80	\$ 1.68	\$ 0.89

Debt Limitations

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

Direct and Overlapping debt

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

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE SIA AND FELTS FIELD

Fiscal Year Ended December 31

	2016	2015	2014	2013
Operating Revenue				
Airfield	\$ 5,352,771	\$ 4,474,681	\$ 3,967,783	\$ 4,330,579
Terminal	12,163,996	11,549,505	10,971,883	10,484,004
Buildings	1,404,304	1,420,218	1,000,159	936,285
Leased sites	1,795,872	1,755,566	1,679,731	1,615,202
Parking	10,239,333	9,413,381	8,617,186	8,380,053
Other	236,161	112,322	101,609	137,049
Total Operating Revenues	31,192,437	28,725,673	26,338,351	25,883,172
Operating Expenses				
Airfield:	9,986,991	8,281,472	8,946,017	8,952,352
Terminal	5,026,242	4,507,214	4,361,006	4,343,695
Leased buildings and sites	520,643	1,246,996	518,389	402,022
Parking	3,634,293	3,014,796	2,551,534	2,820,033
General and administration	4,535,974	4,369,941	4,359,221	4,523,414
Total Operating Expenses	23,704,143	21,420,419	20,736,167	21,041,516
Net Operating Revenue				
Before Depreciation	7,488,294	7,305,254	5,602,184	4,841,656
Depreciation	21,796,223	20,124,411	17,751,995	16,357,968
Operating Income (Loss)	(14,307,929)	(12,819,157)	(12,149,811)	(11,516,312)
Net Operating Revenue				
Before Depreciation	7,488,294	7,305,254	5,602,184	4,841,656
Non-Operating Revenues (Expense)	3,495,937	3,278,878	2,858,229	2,851,164
Revenue Available for Debt Service	\$ 10,984,231	\$ 10,584,132	\$ 8,460,413	\$ 7,692,820
Debt Service 2000 Bonds	-	-	-	-
Debt Service 2001 Bonds	-	-	-	-
Debt Service 2008 Bonds	2,226,138	2,221,538	2,224,138	2,220,387
Debt Service 2010 Bonds	-	1,055,750	1,058,475	1,048,075
Total Debt Service	2,226,138	3,277,288	3,282,613	3,268,462
Coverage	4.93	3.23	2.58	2.35
Required coverage	1.30	1.30	1.30	1.30

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

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE SIA AND FELTS FIELD

2012	2011	2010	2009	2008	2007
\$ 4,715,829	\$ 4,868,650	\$ 4,815,980	\$ 4,074,866	\$ 4,295,377	\$ 4,217,909
10,452,201	10,519,971	10,522,276	9,712,524	9,559,778	11,427,726
965,684	946,806	689,864	638,983	633,431	624,801
1,345,005	1,504,827	1,408,403	1,287,824	1,311,942	1,050,680
8,317,095	8,410,865	8,523,998	8,309,996	9,368,490	8,635,122
88,954	153,996	103,701	172,154	130,751	110,676
25,884,768	26,405,115	26,064,222	24,196,347	25,299,769	26,066,914
8,041,863	8,433,286	7,366,021	6,810,845	6,165,270	5,405,855
3,962,181	4,060,616	3,624,260	3,863,038	3,926,647	3,317,519
681,782	342,703	436,264	220,847	568,667	562,602
2,153,263	1,932,412	1,529,511	1,338,322	1,081,292	1,004,258
3,724,465	3,789,207	4,888,737	3,806,095	6,031,360	5,417,556
18,563,554	18,558,224	17,844,793	16,039,147	17,773,236	15,707,790
7,321,214	7,846,891	8,219,429	8,157,200	7,526,533	10,359,124
14,534,642	12,837,531	11,100,276	8,686,291	8,549,106	8,755,629
(7,213,428)	(4,990,640)	(2,880,847)	(529,091)	(1,022,573)	1,603,495
7,321,214	7,846,891	8,219,429	8,157,200	7,526,533	10,359,124
2,164,035	954,401	1,422,258	1,702,447	3,308,984	(1,800,903)
\$ 9,485,249	\$ 8,801,292	\$ 9,641,687	\$ 9,859,647	\$ 10,835,517	\$ 8,558,221
-	-	1,425,625	1,425,625	1,422,175	1,420,615
-	-	639,280	636,540	642,300	635,620
2,222,788	2,221,694	2,217,719	2,222,281	1,313,385	-
1,052,375	1,055,794	-	-	-	-
3,275,163	3,277,488	4,282,624	4,284,446	3,377,860	2,056,235
2.90	2.69	2.25	2.30	3.21	4.16
1.30	1.30	1.30	1.30	1.30	1.30

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE - AIRPORT BUSINESS PARK

Fiscal Years Ended December 31

	2016	2015	2014	2013
Operating Revenue				
Buildings	\$ 1,533,543	\$ 1,258,204	\$ 1,242,930	\$ 1,337,232
Leased Sites	240,162	242,389	237,144	233,593
Other	129,845	10,257	17,972	15,807
Total Operating Revenues	1,903,550	1,510,850	1,498,046	1,586,632
Operating Expenses				
General	-	-	-	-
Administrative building	-	-	-	-
Leased buildings and sites	595,892	828,682	424,278	966,712
Operations	168,405	268,524	238,336	250,968
Total Operating Expenses	764,297	1,097,206	662,614	1,217,680
Net Operating Revenue				
Before Depreciation	1,139,253	413,644	835,432	368,952
Depreciation	470,754	430,080	424,463	421,069
Operating Income (Loss)	668,499	(16,436)	410,969	(52,117)
Net Operating Revenue				
Before Depreciation	1,139,253	413,644	835,432	368,952
Non-Operating Revenues (Expense)	(74,778)	(69,064)	(82,261)	(87,355)
Revenue Available for Debt Service	\$ 1,064,475	\$ 344,580	\$ 753,171	\$ 281,597
Debt Service 2005 Bonds	217,434	219,397	220,541	221,429
Coverage	4.90	1.57	3.42	1.27
Required coverage	1.25	1.25	1.25	1.25

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE AIRPORT BUSINESS PARK

2012	2011	2010	2009	2008	2007
\$ 1,358,385	\$ 1,372,183	\$ 1,327,862	\$ 1,248,585	\$ 1,158,052	\$ 1,127,881
232,757	195,124	190,189	277,818	245,255	204,668
10,111	-	17,310	9,502	1,575	2,953
1,601,253	1,567,307	1,535,361	1,535,905	1,404,882	1,335,502
-	102,799	124,814	136,796	343,742	188,899
-	48	-	59,958	78,532	82,152
346,368	269,286	206,135	171,383	297,367	325,716
269,499	271,551	264,317	233,812	267,211	308,323
615,867	643,684	595,266	601,949	986,852	905,090
985,386	923,623	940,095	933,956	418,030	430,412
452,050	486,735	363,105	545,935	434,388	318,354
533,336	436,888	576,990	388,021	(16,358)	112,058
985,386	923,622	940,095	933,956	418,030	430,412
8,831	(17,362)	(119,875)	(132,093)	(135,612)	-
\$ 994,217	\$ 906,260	\$ 820,220	\$ 801,863	\$ 282,418	\$ 430,412
222,060	222,437	221,826	220,997	219,516	217,686
4.48	4.07	3.70	3.63	1.29	1.98
1.25	1.25	1.25	1.25	1.25	1.25

**SPOKANE AIRPORT BOARD
PRINCIPAL EMPLOYERS**

Employer	2016			2007		
	Employee	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
92nd Air Refueling Wing, Fairchild Air Force Base	6,000	1	2.76%	4,960	2	2.35%
Providence Health Care	5,326	2	2.45%	3,194	4	1.52%
State of Washington	5,216	3	2.40%	6,257	1	2.97%
Spokane Public Schools	2,914	4	1.34%	3,233	3	1.53%
City of Spokane	2,089	5	0.96%	1,972	7	0.94%
Spokane County	2,082	6	0.96%	2,133	6	1.01%
Kalispel Tribal Economic Authority/Northern Quest	1,489	7	0.69%	946	11	0.45%
Central Valley School District	1,441	8	0.66%	1,271	13	0.60%
Wal-Mart Stores	1,434	9	0.66%	-		
URM Stores Inc.	1,417	10	0.65%	1,423	9	0.68%
Mead School District	1,400	11	0.64%	-		
Rockwood Clinic	1,329	12	0.61%	850	20	0.40%
	<u>32,137</u>		<u>14.79%</u>	<u>26,239</u>		<u>12.45%</u>

Source: Journal of Business January 1, 2017 book of lists

Source: Journal of Business January 1, 2008 book of lists

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

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

Sources: Washington State Office of Financial Management

Personal Income data provided by BEA

n/a - data is not available

Legend / Footnotes:

- ¹ *Nonfarm personal income is total personal income less farm income.*
- ² *Farm income is farm earnings less farm employer contributions for social insurance.*
- ³ *Census Bureau midyear population estimates. Estimates for 2000-2011 reflect county population estimates available as of March 2014*
- ⁴ *Per capita personal income is total personal income divided by total midyear population.*
- ⁵ *Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.*
- ⁶ *The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers and US residents employed by*
- ⁷ *Rental income of persons includes the capital consumption adjustment.*
- ⁸ *Proprietors' income includes the inventory valuation adjustment and the capital consumption adjustment.*

Report on Internal Controls



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

The Board of Directors
Spokane Airport Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Spokane Airports Board (Airport), which comprise the statement of net position as of and for the year ended December 31, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2017.

Internal Control Over Financial Reporting

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

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

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

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Moss Adams LLP

Spokane, Washington
May 19, 2017





A composite image with a vibrant orange and yellow sunset sky. A large, bright sun is positioned behind the wing of an airplane, which is silhouetted against the sky. The airplane's landing gear is visible. In the foreground, there is a dark fence and a series of bright, glowing lights that resemble airport runway lights or a decorative light display. The overall scene suggests a connection between aviation and infrastructure.

GEG — GENERATING ECONOMIC GROWTH

