



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## City of Spokane Valley

For the period January 1, 2020 through December 31, 2020

*Published September 29, 2021*

Report No. 1029187



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

September 29, 2021

Mayor and City Council  
City of Spokane Valley  
Spokane Valley, Washington

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

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Spokane Valley January 1, 2020 through December 31, 2020

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

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

#### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

## Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.933	National Infrastructure Investments
21.019	COVID-19 – Coronavirus Relief Fund

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

The City qualified as a low-risk auditee under the Uniform Guidance.

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **City of Spokane Valley January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Spokane Valley  
Spokane Valley, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 23, 2021.

As discussed in Note 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 14.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 23, 2021

## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### City of Spokane Valley January 1, 2020 through December 31, 2020

Mayor and City Council  
City of Spokane Valley  
Spokane Valley, Washington

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Spokane Valley, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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



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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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

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

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

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 23, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **City of Spokane Valley January 1, 2020 through December 31, 2020**

Mayor and City Council  
City of Spokane Valley  
Spokane Valley, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 14 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 14. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

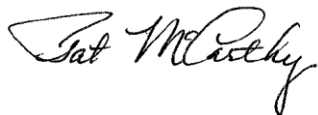
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 23, 2021

## **FINANCIAL SECTION**

### **City of Spokane Valley January 1, 2020 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Fiduciary Net Position – 2020

Statement of Changes in Fiduciary Net Position – 2020

Notes to Financial Statements – 2020

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund – 2020

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Street Fund – 2020

Schedule of Proportionate Share of Net Pension Liability (PERS 1, PERS 2/3) – 2020

Schedule of Employer Contributions (PERS 1, PERS 2/3) – 2020

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

## **CITY OF SPOKANE VALLEY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **For the Year Ended December 31, 2020**

As management of the City of Spokane Valley, Washington, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. All amounts in this discussion and analysis, unless otherwise indicated, are expressed in thousands of dollars. Also, this discussion contains comparative analysis based on information from the prior year.

### **FINANCIAL HIGHLIGHTS**

The key financial highlights for 2020 are as follows:

The City of Spokane Valley's financial position improved. At the end of the current fiscal year, assets exceeded liabilities by \$220,496 thousand (*net position*). Of this amount, \$68,221 thousand represents the primary government's unrestricted net position, which may be used and is available to meet the City's ongoing activities and obligations to the citizens and creditors.

The City of Spokane Valley's total net position from Governmental and Business-type activities increased \$16,041 thousand or 7.85% from the prior fiscal year, primarily explained by revenues continuing to outpace expenditures and the current year's increase in the City's net investment in capital assets.

At the close of the current fiscal year, the City of Spokane Valley's governmental funds reported combined fund balances of \$77,322 thousand, an increase of \$3,060 thousand in comparison with the prior year. Approximately 59.45% of this amount or \$45,971 thousand (*unassigned fund balance*) is available for spending at the City's discretion.

Also, at the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$45,971 thousand, or approximately 107.46% of the total general fund expenditures, and the net change in actual fund balance increased by \$5,018 thousand during the current fiscal year.

Total long-term liabilities for Governmental type activities decreased by \$484 thousand to \$15,213 thousand during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the City as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions. The following discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Spokane Valley's finances, in a manner similar to a private-sector business.

### ***Statement of Net Position and Statement of Activities***

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the differences between them reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement distinguishes revenue generated by specific functions, from revenue provided by taxes and other sources not related to a specific function. Revenue generated by specific functions (charges for services, fines and forfeitures, grants and other contributions) is compared to the expenses for those functions to demonstrate how much each function either supports itself or relies on taxes and other general funding sources for support.

The change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished in capacity. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated. *These government-wide financial statements can be found in the Basic section of this annual financial report.*

In the statement of net position and the statement of activities, the City of Spokane Valley is divided into two distinct functions or types of *primary government*:

- ◆ ***Governmental Activities*** – Most of the City's programs and services are reported here, including general government, public safety, physical environment, transportation, economic environment, community development, and culture and recreation. These services are funded and supported primarily by taxes and intergovernmental revenues, including federal and state grants, and other shared revenues.
- ◆ ***Business-type Activities*** – These services are provided on a charge for goods or user fee services basis to recover all or a significant portion of the cost of services provided; including State Grants. The City's Stormwater Utility Management Fund and Aquifer Protection Area Fund activity is reported here.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, and a fiscal accounting entity with a self-balancing set of accounts used to account for specific activities. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the City's major funds. Based on the restriction of the use of resources and money, the City has established many funds that account for the multitude of services provided to residents.



**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as *governmental activities* on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing the City’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty individual governmental funds. Information on the City’s two major governmental funds: General Fund and Street Fund are presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. *Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. These basic governmental fund financial statements can be found in the Basic section of this report.*

**Proprietary Funds** – The City of Spokane Valley maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Enterprise funds are used to account for goods and services provided to the citizens on a user fee basis. The City provides information on its two enterprise funds, the Stormwater Utility Management Fund and the Aquifer Protection Area Fund, both major funds, under proprietary funds.

The City’s two *Internal Service Funds*; Equipment Rental and Replacement and Risk Management accounts for the accumulated and allocated internal costs of fleet vehicles, computer equipment, and insurance claims. Also, both provide internally for the goods and services among the City’s various departments and functions. Because both of these services predominantly benefit governmental-type functions rather than business-type functions in nature, they have been included within *governmental-type activities* in the government-wide financial statements. *These basic governmental fund financial statements can be found in the Basic section of this report.*

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the City of Spokane Valley’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Spokane Valley maintains one fiduciary fund. The Passthrough Fees and Taxes fund reports resources held by the City in a custodial capacity for other governments. *These basic governmental fund financial statements can be found in the Basic section of this report.*

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements. *The notes are located immediately following the basic financial statements.*

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budget to actual comparisons for the General Fund and major special revenue funds as well as the City's progress in funding its obligation to provide pension benefits to its employees. *This information can be found immediately following the notes.*

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. *This information can be found in the supplemental section of this report.*

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of net position** – As noted earlier, net position over time may serve as a useful indicator of the City of Spokane Valley's financial position. The City's total assets and deferred outflows exceeded total liabilities and deferred inflows by \$220,496 thousand as of December 31, 2020. The following table summarizes and compares the City's net position for 2020 and 2019 (*see Table 1, below*):

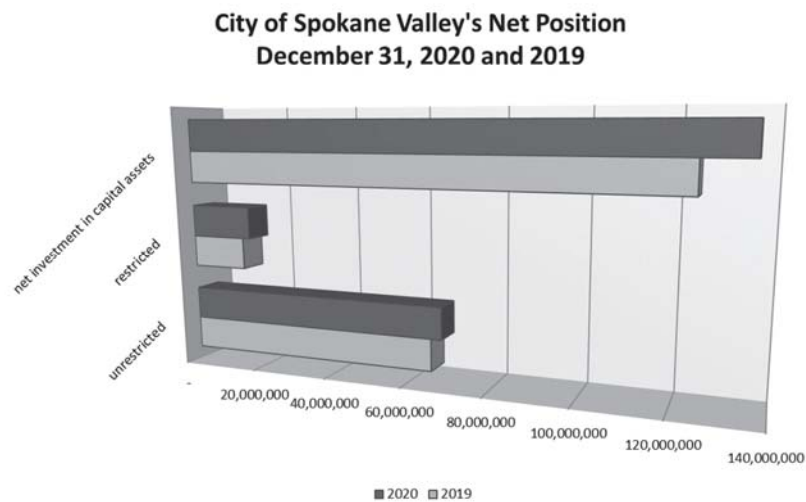
City of Spokane Valley's Net Position (amounts in thousands)						
Table 1	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 90,743	\$ 84,279	\$ 5,004	\$ 4,739	\$ 95,746	\$ 89,019
Capital assets (net of depreciation)	140,539	129,971	7,405	7,200	147,944	137,172
<b>Total assets</b>	<b>231,282</b>	<b>214,250</b>	<b>12,408</b>	<b>11,940</b>	<b>243,690</b>	<b>226,190</b>
<b>Total deferred outflows of resources</b>	<b>935</b>	<b>848</b>	<b>38</b>	<b>34</b>	<b>973</b>	<b>883</b>
Long-term liabilities	15,213	15,697	131	128	15,343	15,825
Other liabilities	7,183	4,695	590	276	7,773	4,971
<b>Total liabilities</b>	<b>22,396</b>	<b>20,392</b>	<b>720</b>	<b>405</b>	<b>23,116</b>	<b>20,796</b>
<b>Total deferred inflows of resources</b>	<b>1,010</b>	<b>1,751</b>	<b>41</b>	<b>70</b>	<b>1,051</b>	<b>1,821</b>
Net position:						
Net investment in capital,						
assets	128,464	117,239	7,405	7,200	135,869	124,440
Restricted	16,407	14,474	-	1	16,407	14,474
Unrestricted	63,941	61,243	4,280	4,298	68,221	65,541
<b>Total net position</b>	<b>\$ 208,811</b>	<b>\$ 192,956</b>	<b>\$ 11,685</b>	<b>\$ 11,499</b>	<b>\$ 220,496</b>	<b>\$ 204,455</b>

In this case, as of December 31, 2020, the Primary Government's assets and deferred outflows exceeded liabilities and deferred inflows by \$208,811 thousand in governmental activities and \$11,685 thousand in business-type activities. The largest portion of the City's net position, at 61.62%, is its investment in

capital assets of \$135,869 thousand. This represents land and land improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure, less any related outstanding debt that was used to acquire those assets.

The City of Spokane Valley uses these capital assets to provide a variety of services to its citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The majority of these capital assets were donated by Spokane County at the time of incorporation in 2003. The portion of the City of Spokane Valley's net position classified as restricted are resources that are subject to external restrictions on how they may be used. At \$16,407 thousand and 7.44% of total net position this is the smallest share of the City's net position. The remaining balance of \$68,221 thousand or 30.94% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



The City of Spokane Valley's total net position has increased by \$16,041 thousand or 7.85% from the prior year. This is primarily explained by revenues outpacing expenditures. More discussion will follow for the overall increase in net position in the sections for governmental and business-type activities.

Table 2

**City of Spokane Valley's Changes in Net Position  
as of December 31, 2020 and 2019 (amounts in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>% Change</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020-2019</b>
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 8,172	\$ 9,218	\$ 1,911	\$ 1,936	\$ 10,083	\$ 11,155	-9.61%
Operating grants & contributions	5,058	557	426	520	5,484	1,077	409.19%
Capital grants & contributions	8,197	8,899	61	110	8,259	9,009	-8.33%
General revenues							
Taxes	50,743	49,782	-	-	50,743	49,782	1.93%
Interest & investment earnings	397	1,490	19	86	416	1,576	-73.60%
<b>Total revenues</b>	<b>72,567</b>	<b>69,947</b>	<b>2,418</b>	<b>2,652</b>	<b>74,985</b>	<b>72,599</b>	<b>3.29%</b>
<b>Expenses</b>							
General government	9,760	5,568	-	-	9,760	5,568	75.29%
Public safety	25,768	25,180	-	-	25,768	25,180	2.34%
Utilities & physical environment	1,075	1,873	-	-	1,075	1,873	-42.61%
Transportation	11,870	13,257	-	-	11,870	13,257	-10.46%
Economic environment	1,166	1,167	-	-	1,166	1,167	-0.09%
Community development	3,024	2,809	-	-	3,024	2,809	7.65%
Culture and recreation	3,684	4,223	-	-	3,684	4,223	-12.76%
Interest on long term debt	364	541	-	-	364	541	-32.72%
Aquifer protection area	-	-	239	211	239	211	13.27%
Stormwater management	-	-	1,993	1,913	1,993	1,913	4.18%
<b>Total expenses</b>	<b>56,711</b>	<b>54,618</b>	<b>2,232</b>	<b>2,124</b>	<b>58,944</b>	<b>56,742</b>	<b>3.88%</b>
Increase (decrease) in net position before transfers	15,855	15,329	186	528	16,041	15,857	1.16%
Transfers In (out)	-	-	-	-	-	-	0.00%
Increase (decrease) in net position	15,855	15,329	186	528	16,041	15,857	1.16%
<b>Net position - beginning</b>	<b>192,956</b>	<b>177,627</b>	<b>11,499</b>	<b>10,971</b>	<b>204,455</b>	<b>188,598</b>	
<b>Net position - ending</b>	<b>\$ 208,811</b>	<b>\$ 192,956</b>	<b>\$ 11,685</b>	<b>\$ 11,499</b>	<b>\$ 220,496</b>	<b>\$ 204,455</b>	

**Governmental Activities** – During the current fiscal year total net position for governmental activities increased by \$15,855 thousand from the prior year for an ending balance of \$208,811 thousand. The increase in the overall net position of governmental activities is the result of management taking various steps (e.g., holding expenditures to levels consistent with prior years) as well as an increase in revenues from sales taxes and grants to achieve such positive effects on the governmental activities ending net position. The City's capital grants and operating grants and contribution revenues from Federal and State sources made up the second largest sources of revenue combined, \$13,255 thousand or 18.27% of total governmental activities revenues. The major functions receiving intergovernmental program revenues were the General Government and Transportation functions of the primary government. There was a significant increase in the General Government operating grants due to receipt of the Coronavirus Relief Funds in the amount of \$4,352 thousand in 2020. Transportation activity capital grants decreased in the current year by \$2,131 thousand compared to last year primarily due to the timing of various projects. However there were increases of \$766 thousand and \$666 thousand in the Physical Environment and Culture and Recreation functions, respectively also due to the timing of various grant funded projects.

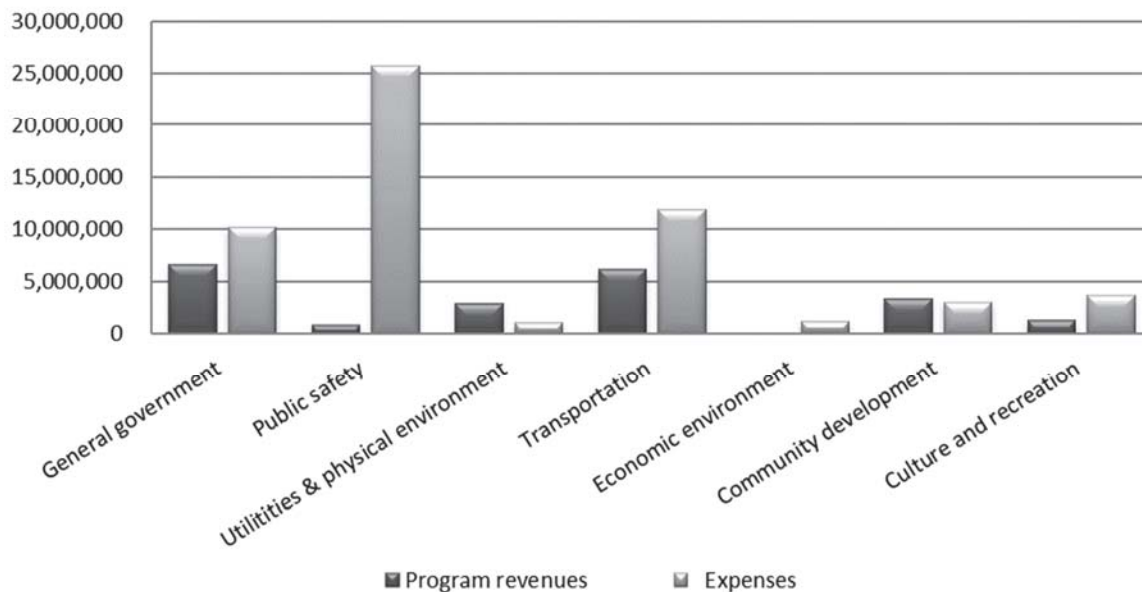
Property tax general revenues in the governmental activities account for \$12,386 thousand of the \$72,567 thousand total revenues (less transfers) for governmental-type activities, or 17.07% of total revenues. Sales Tax general revenue accounted for approximately \$28,998 thousand or 39.96% of total revenues in the year 2020, the largest single source of revenue for the City of Spokane Valley. Excise and other taxes received were Real Estate Excise Taxes of \$3,509 thousand, Liquor Board Excise Tax

of \$1,414 thousand, Telephone Utility Tax of \$1,388 thousand, Marijuana Excise Taxes of \$185 thousand, Leasehold Excise Taxes of \$7 thousand, Gambling Taxes of \$278 thousand, Hotel/Motel Taxes of \$711 thousand and Motor Fuel Excise Taxes of \$1,868 thousand for a General revenue share of \$9,359 thousand or 12.90% of total Program and General revenues.

Overall governmental general revenues decreased by \$133 thousand; however, the City noted mixed results in this category due to the uneven effects of the COVID-19 pandemic on revenues. Property taxes and sales taxes increased by \$279 thousand and \$1,586 thousand, respectively. At the same time, there were decreases in excise taxes, other taxes, and interest income in the amounts of \$93 thousand, \$812 thousand, and \$1,094 thousand, respectively.

In terms of expenses, the largest function was Public Safety, accounting for \$25,768 thousand and representing 45.44% of total governmental expenses of \$56,711 thousand and an increase of 2.34% in contracted Law Enforcement services compared to the prior year due primarily to inflation in contract costs. The Transportation function is the second largest function, and it accounted for \$11,870 thousand in expenses for governmental activities, or 20.93% of the total expenses. There was a decrease of \$1,387 thousand in Transportation compared to 2019 which is primarily due to there being more costs that were capitalized as part of construction projects. (*see table 2, above*)

### Program Revenues and Expenses - Governmental Activities



**Business-type Activities** – For the City of Spokane Valley’s business-type activities, the results for the current fiscal year were positive in that the overall net position increased to reach an ending balance of \$11,685 thousand. The increase in net position for business-type activities (stormwater and aquifer protection funds) was \$186 thousand from the prior fiscal year. This is an increase in net position of

1.61% from the prior fiscal year. The increase in net position is indicative of revenues continuing to exceed expenditures.

Overall, revenues for the business-type activities were down compared to the previous year. In 2020 there were \$61 thousand in capital grants and contributions compared to \$110 thousand in 2019 due to there being fewer grant funded projects occurring during 2020. In the business-type funds, the major program revenue sources were charges for services of \$1,911 thousand which consists primarily of the Stormwater Management Fee imposed upon real property. Charges for services decreased by \$26 thousand from 2019 which is consistent with the lagging property tax collections seen with the COVID-19 pandemic. Operating grants of \$426 thousand are mostly related to the Aquifer Protection Area Fund consisting of the Aquifer Area Protection Fee mandated by the voting public. Operating grants decreased by \$93 thousand as compared to the prior year primarily because the City received an operating grant for street sweeping in 2019 in the amount of \$50 thousand that was not received again in 2020.

Expenditures increased by \$108 thousand or 5.09% in 2020 as compared to the prior year. This increase is primarily due to increased costs related to contracted stormwater maintenance as well as costs related to the regional decant facility project. The decant facility project will be ongoing into 2021. (*see table 2, above*)

### **FINANCIAL ANALYSIS OF THE CITY OF SPOKANE VALLEY'S FUNDS**

As noted earlier, the City of Spokane Valley uses fund accounting to ensure and demonstrate compliance with finance related requirements.

**Governmental Funds** - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year and represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City of Spokane Valley itself, or from a group or individual that has delegated authority to assign these resources to be used for particular purposes by the City's Council.

As of December 31, 2020, the City's total governmental funds reported a combined ending fund balance of \$77,322 thousand, a net increase of \$3,060 thousand in comparison with the prior year. Approximately 59.45% of this amount or \$45,971 thousand is composed of *unassigned fund balance*, which is available for spending at the City's discretion. The City's remainder or residual fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not spendable in form (\$91 thousand), 2) restricted for particular purposes (\$16,407 thousand), 3) committed for particular purposes (\$160 thousand), or 4) assigned for particular purposes (\$14,692 thousand) *See tables 3 and 4 below*.

The General Fund is the ***primary operating governmental fund*** of the City of Spokane Valley where most receipts and payments of ordinary city operations are processed. *See table 3 below*.

**General Fund Components of Fund Balance**  
**December 31, 2020 & 2019** (amounts in thousands)

**Table 3**

	<b>Fiscal Year</b>	
	<b>2020</b>	<b>2019</b>
Unassigned	\$ 45,971	\$ 43,045
Assigned	-	-
Restricted	2,187	48
Nonspendable	87	134
<b>Total fund balances</b>	<b>\$ 48,246</b>	<b>\$ 43,227</b>

At the end of 2020, unassigned fund balance was \$45,971 thousand, while total fund balance increased to \$48,246 thousand. This increase of \$5,018 thousand is primarily increased sales tax collections and lower expenditures in some City operations, such as recreation, due to the effects of the COVID-19 pandemic. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental funds expenditures. Unassigned fund balance in the general fund represents approximately 67.64% of the total governmental funds expenditures, while total general fund balance of \$48,246 thousand represents approximately 70.99% of that same amount in total governmental funds expenditures.

**All Remaining Governmental Funds Components of Fund Balance**

**December 31, 2020 & 2019** (amounts in thousands)

**Table 4**

	<b>Fiscal Year</b>	
	<b>2020</b>	<b>2019</b>
Unassigned	\$ -	\$ -
Assigned	14,692	16,584
Committed	160	23
Restricted	14,220	14,425
Nonspendable	4	2
<b>Total fund balances</b>	<b>\$ 29,076</b>	<b>\$ 31,034</b>

**Major Governmental Funds**

**The General Fund** – The fund balance of the City of Spokane Valley's general fund increased by \$5,018 thousand, compared to last year, for the fiscal year ending December 31, 2020. The primary source of revenues for the General Fund are property and sales taxes. Overall, tax revenues in the General Fund increased by \$832 thousand as compared to 2019 due to the strong sales tax collections despite the COVID-19 pandemic. Intergovernmental revenues increased by \$4,517 thousand due to receipt of the Coronavirus Relief Funds to address the effects of the COVID-19 pandemic. Charges for services, which consist primarily of parks and recreation fees, and interest income decreased by \$567 thousand and \$662 thousand, respectively, due to the effects of the pandemic on the economy. Expenditures, excluding transfers, increased by \$4,353 thousand as compared to 2019 primarily due to CARES Act funding distributions to address the COVID-19 pandemic.

**The Street Fund** – had an ending actual fund balance of \$759 thousand, a net increase in fund balance of \$203 thousand compared to the prior year. The primary sources of revenues for the Street fund are the telephone utility tax of \$1,388 thousand and the motor vehicle fuel tax of \$1,870 thousand in



intergovernmental revenues. Compared to the prior year, there was a decrease of 11.25% for telephone utility taxes and a decrease of 13.09% for motor vehicle fuel tax. These decreases were a direct impact of the COVID-19 pandemic on the economy. There were two transfers in, including a transfer from the Capital Reserve Fund for the budgeted operating deficit in expenditures over revenues for 2020 and a transfer from the Winter Weather Reserve Fund to cover snow removal costs in excess of budget for 2020. Expenditures outpaced revenues, but the other financing sources contributed to the increase in ending fund balance compared to last year.

**Proprietary Funds** - The City's enterprise funds, **Stormwater Management** and **Aquifer Protection Area** provide the same type of information found in the government-wide financial statements and are also *major proprietary funds*. Unrestricted net position of the Stormwater Management Fund at December 31, 2020, was \$2,160 thousand and for the Aquifer Area Protection fund was \$2,120 thousand.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

*Original budget compared to final budget:* By State law, Title 35A of the Revised Code of Washington (RCW) requires all cities to prepare and adopt a balanced budget prior to the beginning of the City's fiscal year; the annual operating budget for the City is effective the first day of January. The City Council amended the original budget revenue and expenditures once during 2020 due to updates in budget estimates and timing differences in expenditures during the fiscal year.

The most significant changes between the original and final budget in the General Fund were related to the COVID-19 pandemic and its results on the economy. Tax revenues were amended downward by \$3,294 thousand in anticipation of lower tax collections with the shutdown of local businesses. However, intergovernmental revenues were amended upwards by \$4,377 thousand to reflect the City's allocation of the CARES Act funding received from the Federal Government. General government expenditures were amended upwards for the same reason in a similar amount. The budgeted transfers out were increased by \$2,258 thousand to account for a shortfall in the Street Fund operations due to lower collections of revenues in that fund because of the pandemic.

*Final budget compared to actual results:* The most significant differences between final estimated revenues and actual revenues were as follows:

#### **2020 Budget to Actual Comparison**

(amounts in thousands)

<u>Revenue Source</u>	<u>Final Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Taxes	\$ 37,370	\$ 40,821	\$ 3,451
Licenses and permits	3,323	4,585	1,261
Intergovernmental revenues	6,116	6,747	631
Charges for services	115	144	29
Fines & forfeitures	550	417	(133)
Investment Interest	700	255	(445)
Miscellaneous	1,295	119	(1,176)
	<u>\$ 49,469</u>	<u>\$ 53,087</u>	<u>\$ 3,618</u>

In the Budget to Actual Schedule, revenues trended higher than expected in the 2020 budget by \$3,618 thousand, while the total expenditures were \$3,965 thousand (including transfers in/out) less than the amended budget. The difference in revenues is primarily due to the stronger than expected sales tax



collections with the pandemic and stronger than expected permit revenues. The difference in expenditures is primarily explained by the Public Safety budget including a fully staffed police department, but vacancies were experienced throughout the year. Ultimately, the General Fund in the Governmental funds statement reports an increase in excess of revenues over expenditures, positive variance with final budget of \$7,583 thousand. The positive budget to actual variances contributed to the overall increase in fund balance of \$5,018 thousand for 2020.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** The City of Spokane Valley's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$147,944 thousand (net of depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and construction in progress. The total increase in the city's investments in capital assets for the current fiscal year was \$10,772 thousand or 7.85% (*see table 5, following*).

**City of Spokane Valley's Capital Assets**  
(net of depreciation, amounts in thousands)

*Table 5:*

	Governmental Activities		Business-type Activities		Total		Total % Change
	2020	2019	2020	2019	2020	2019	2020-2019
Land	\$ 15,914	\$ 10,530	\$ 6	\$ 6	\$ 15,920	\$ 10,536	51.10%
Buildings & leasehold improvements	20,447	20,290	259	272	20,706	20,562	0.70%
Improvements other than Buildings	8,040	5,778	-	-	8,040	5,778	39.15%
Infrastructure	86,574	86,049	6,678	6,661	93,252	92,710	0.58%
Machinery and Equipment	2,511	2,285	12	11	2,523	2,296	9.86%
Construction in Progress	7,054	5,039	449	250	7,503	5,289	41.86%
<b>Total</b>	<b>\$ 140,539</b>	<b>\$ 129,971</b>	<b>\$ 7,405</b>	<b>\$ 7,200</b>	<b>\$ 147,944</b>	<b>\$ 137,172</b>	<b>7.85%</b>

**Major capital asset events during the current fiscal year included the following:**

- Construction in Progress increased by 41.86% or \$2,214 thousand due to the continuation and beginning for several construction projects.
- Machinery and Equipment increased by 9.86% or \$226 thousand due to the purchase of a snow plow, a wheel loader, additional installation costs for the generators for City Hall and Precinct buildings and city wide traffic signal upgrades.
- Land increased by 51.10% or \$5,384 thousand due in part to the purchase of land to facilitate the construction of the Barker BNSF Grade Separation Project, the Pines Rd Underpass at BNSF and Trent, and other right of way purchases for various projects, and for the purchase of land near Flora for future park use.
- Infrastructure increased 0.58% or \$542 thousand for 2020 due mostly to the completion of street construction and street preservation projects.
- Other categories of Capital Assets had a slight increase of 0.70% or \$144 thousand, primarily as a result of roof repair at CenterPlace, which offset the total depreciation expense for the year.

Additional information on the City's capital assets can be found in *Note 5 (Capital Assets)* to the financial statements.

**Long-Term Liabilities:** At December 31, 2020, the City had total Limited Tax General Obligation debt outstanding of \$11,120 thousand. This amount is backed by the full faith and credit of the City of

Spokane Valley with debt service funded by general government revenues and contributions from the Public Facilities District. The City's general obligation bonds decreased by \$595 thousand or 5.08% during fiscal year 2020. (*See table 6, below*).

**Table 6**

	City of Spokane Valley's Outstanding Debt (amounts in thousands)						
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
General obligation bonds	\$ 11,120	\$ 11,715	\$ -	\$ -	\$ 11,120	\$ 11,715	-5.08%
Bond premium	955	1,017	-	-	955	1,017	-6.10%
Compensated absences	737	617	37	36	774	653	18.53%
Net pension plan liabilities (GASB 68)	2,400	2,349	94	92	2,494	2,441	2.17%
<b>Total</b>	<b>\$ 15,213</b>	<b>\$ 15,697</b>	<b>\$ 131</b>	<b>\$ 128</b>	<b>\$ 15,343</b>	<b>\$ 15,825</b>	<b>-3.05%</b>

In addition to the general obligation bonded debt and premium, the City's long-term liabilities also include compensated absences (vacation accruals) and net pension liabilities. Additional information on the City's long-term debt can be found in **Note 10 (Long-Term Obligations and Leases)** in the notes to the financial statements.

Under Washington State statutes, general obligation indebtedness for general purposes is pursuant to a vote of the electorate and is limited to 2.5% of actual value of taxable property located within the City of Spokane Valley. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness, cannot exceed 2.5% of assessed valuation.

The 2019 assessed valuation of the City of Spokane Valley for the levy year of 2020, for purposes of determining the legal debt margin is 10,200,358 thousand. Remaining debt capacities for the City under general voted and non-voted purposes (2.5%) is limited to: \$753,907 thousand.

The City of Spokane Valley maintains an Aa2 rating from Moody's for its non-voted general obligation debt. Additional information regarding debt limitations and capacities can be found in **Note 10 (Legal Debt Margin)** in the notes to the financial statements.

### **ECONOMIC FACTORS**

The following economic factors currently affect the City of Spokane Valley and were considered in developing the 2020-2021 fiscal year budgets.

As we all know, we present our annual financial report this year in unprecedented times. The data presented in our financials is largely based on realities of the world in the midst of the COVID-19 pandemic. As we march through the next few years, our market and economy likely will return to normal, perhaps not to the place prior to COVID-19, but it will recover.

The outlook for the City of Spokane Valley economy was projected based on statistics generated in Spokane County. There is estimated to be 5,085 businesses located in Spokane Valley with estimated taxable retail sales of \$2.9 billion for 2020. The City of Spokane Valley received \$25,238 thousand, an increase of \$1,034 thousand from the prior year, in general sales tax dollars for 2020.

The wide-ranging impacts of the COVID-19 pandemic have negatively affected the labor market and Spokane County lost about 12,100 jobs in 2020. The current year's decrease in jobs left the county with an estimated average of 243,500 jobs for the year, which is still an overall increase over the last decade

from the year 2011 with 221,400 jobs. This raises the County's area wide unemployment rate to 8.8% from the low rate of 5.4% in 2019. Spokane County's fastest growing non-farm employment sector is information, followed by leisure and hospitality. These sectors are predicted to grow the most through 2023. Population growth has been steady within the City of Spokane Valley, increasing to 97,490 and growing 8.62% since 2010.

The total number of single family residential building permits in the Spokane County area-wide region (including the City of Spokane and the City of Spokane Valley) decreased to 1,137 in 2020 from 1,373 issued in 2019. Additionally, total 2020 nonresidential building permits for new construction issued by the City of Spokane Valley were 173 compared to 137 in 2019.

The Real Estate market continues its upswing from the most recent low of 2011. Spokane County home sales have increased to 8,150. With an average selling price of \$321,347, single family home sale prices have seen a steady increase over the years with 2019 being the previous high at \$283,600. The median price of a home in the Spokane metropolitan area was approximately \$322,100 in 2020, which is lower than the Washington State median price of \$339,000.

The City of Spokane Valley's assessed value increased 9% to \$10,200 billion in 2020. The City's property tax levy rate for 2020 was near \$1.2156 per thousand of assessed value.

The City of Spokane Valley contracts with Spokane County and several public service districts for many city services including street maintenance, public safety, library, and fire protection. This allows the City to hold the number of full-time equivalent employees to 95.25. Employee salaries and related benefits are the leading cost for much of the city's operations. In a 2015 study, a comparison of 31 cities with a populations of 100,000 or less was conducted within the State of Washington and the City of Spokane Valley had the fewest number of employees based on Washington cities with a population greater than 50,000 and over.

No significant general fund tax increases were implemented in 2020. The telephone utility tax of 6% continues to be collected during 2020 in the City's Street Fund.

During the fiscal year of 2020, unassigned fund balance in the general fund was \$45,971 thousand. As noted in the City of Spokane Valley's 2021 budget document, the total recurring 2021 general fund expenditure budget is \$45,101 thousand as compared to \$42,898 thousand in 2020. This means that the general fund recurring expenditure budget increased by 5.14% as compared to 2020. The 2021 budget presumes service levels that are consistent with those provided in 2020 with neither significant enhancements nor reductions in any area of operations. The 2021 budget was adopted with COVID-19 in mind, but it is still possible that reductions in revenues result from the pandemic and related economic policies.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Spokane Valley's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Spokane Valley  
Finance Department  
Chelsie Taylor, Finance Director  
10210 E Sprague Ave.  
Spokane Valley, Washington 99206

**City of Spokane Valley, Washington**  
**Statement of Net Position**  
**December 31, 2020**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 79,726,253	\$ 4,781,023	\$ 84,507,276
Taxes receivable	7,695,231	162,238	7,857,469
Taxes delinquent-receivable	90,318	11,291	101,609
Accounts receivable, (net)	1,959,379	-	1,959,379
Interest receivable	7,464	447	7,911
Grants receivable	1,172,868	27,438	1,200,306
Prepays	91,383	21,093	112,476
Capital Assets:			
Land	15,913,919	6,023	15,919,942
Depreciable assets, (net)	117,570,931	6,949,434	124,520,365
Construction in progress	7,054,023	449,405	7,503,428
<b>Total Assets</b>	<b>\$ 231,281,769</b>	<b>\$ 12,408,392</b>	<b>\$ 243,690,161</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	935,422	37,780	973,202
<b>LIABILITIES</b>			
Accounts payable	\$ 3,142,924	\$ 393,838	\$ 3,536,762
Interest payable	34,071	-	34,071
Deposits and other payables	3,304,962	83,097	3,388,059
Other accrued liabilities	701,470	33,729	735,199
Unearned revenues	-	78,902	78,902
Long-term liabilities:			
Due within one year	714,909	921	715,830
Due in more than one year	12,097,578	35,908	12,133,486
Net pension liabilities	2,400,117	93,818	2,493,935
<b>Total Liabilities</b>	<b>22,396,031</b>	<b>720,213</b>	<b>23,116,244</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	1,009,793	40,936	1,050,729
<b>NET POSITION</b>			
Net Investment in capital assets	128,463,713	7,404,862	135,868,575
Restricted for:			
Capital projects, REET, roads & streets, solid waste	10,035,054	-	10,035,054
Parks & recreation programs	45,405	-	45,405
Hotel/motel tourism facilities	2,986,573	-	2,986,573
Hotel/motel tourism promotion	798,716	-	798,716
Comcast PEG, communications	181,773	-	181,773
Affordable & supportive housing	158,033	-	158,033
Development deposit	2,004,977	-	2,004,977
Economic development studies	13,317	-	13,317
Public Safety	100,830	-	100,830
Trails & paths	21,516	-	21,516
Health Reimbursement Accounts	60,888	192	61,080
Unrestricted	63,940,572	4,279,969	68,220,541
<b>Total Net Position:</b>	<b>208,811,367</b>	<b>11,685,023</b>	<b>220,496,390</b>

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

**City of Spokane Valley, Washington**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants & Contributions	Grants & Contributions			
Primary government:							
Governmental activities:							
General government	\$ 9,760,400	\$ 1,712,082	\$ 4,894,441	\$ -	\$ (3,153,877)	\$ -	\$ (3,153,877)
Public safety	25,768,070	763,067	121,130	-	(24,883,873)	-	(24,883,873)
Utilities and physical environment	1,074,980	1,779,451	-	1,170,725	1,875,196	-	1,875,196
Transportation	11,869,958	419,617	-	5,824,319	(5,626,022)	-	(5,626,022)
Economic environment	1,165,946	-	25,000	-	(1,140,946)	-	(1,140,946)
Community development	3,023,987	3,383,906	14,169	-	374,088	-	374,088
Culture and recreation	3,684,304	113,921	3,000	1,202,367	(2,365,016)	-	(2,365,016)
Interest on long-term debt	363,737	-	-	-	(363,737)	-	(363,737)
Total governmental activities	56,711,382	8,172,044	5,057,740	8,197,411	(35,284,187)	-	(35,284,187)
Business-type activities:							
Aquifer protection area	239,081	-	426,234	60,996	-	248,149	248,149
Stormwater management	1,993,100	1,910,831	-	304	-	(81,965)	(81,965)
Total business-type activities	2,232,181	1,910,831	426,234	61,300	-	166,184	166,184
Total primary government	\$ 58,943,563	\$ 10,082,875	\$ 5,483,974	\$ 8,258,711	(35,284,187)	166,184	(35,118,003)
General revenues:							
Taxes:							
Property taxes					12,386,118	-	12,386,118
Sales and use taxes					28,997,704	-	28,997,704
Excise taxes					6,981,862	-	6,981,862
Other taxes					2,377,391	-	2,377,391
Interest and investment earnings					396,503	19,378	415,881
Total general revenues					51,139,578	19,378	51,158,956
Change in net position					15,855,391	185,562	16,040,953
Net position--beginning of year					192,955,976	11,499,461	204,455,437
Net position--ending					\$ 208,811,367	\$ 11,685,023	\$ 220,496,390

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

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

**Balance Sheet**

**Governmental Funds**

December 31, 2020

	General	Street	Other	Total
	Fund	Fund	Governmental	Governmental
	Funds	Funds	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 47,931,119	\$ 1,013,129	\$ 29,051,567	\$ 77,995,815
Taxes receivable	6,820,336	356,502	608,711	7,785,549
Accounts receivable, (net)	1,646,705	129,430	183,244	1,959,379
Interest receivable	4,514	29	2,776	7,319
Grants receivable	120,147	-	1,052,721	1,172,868
Prepays	87,414	3,611	358	91,383
<b>Total Assets</b>	<b>\$ 56,610,235</b>	<b>\$ 1,502,701</b>	<b>\$ 30,899,377</b>	<b>\$ 89,012,313</b>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	\$ 996,078	\$ 464,212	\$ 1,680,616	\$ 3,140,906
Accrued wages and benefits payable	581,130	77,291	42,930	701,351
Deposits and other payables	3,113,876	-	-	3,113,876
Retainage payable	40,038	58,935	92,113	191,086
Unearned revenues	3,633,602	142,964	766,906	4,543,472
<b>Total Liabilities</b>	<b>8,364,724</b>	<b>743,402</b>	<b>2,582,565</b>	<b>11,690,691</b>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid expenses	\$ 87,415	\$ 3,611	\$ 358	\$ 91,384
Restricted for:				
Affordable & supportive housing	-	-	152,033	152,033
Capital projects REET 1&2 roads & streets	-	-	7,213,992	7,213,992
Comcast PEG contributions	-	-	181,773	181,773
Development deposit	2,004,977	-	-	2,004,977
Economic development studies	13,317	-	-	13,317
Health reimbursement account	57,667	3,221	-	60,888
Hotel/motel tourism facilities	-	-	2,986,573	2,986,573
Hotel/motel tourism promotion	-	-	798,716	798,716
Housing development	6,000	-	-	6,000
Motor vehicle fuel tax roads & streets	-	752,467	-	752,467
Parks & recreation programs	4,574	-	40,831	45,405
Public Safety	100,830	-	-	100,830
Railroad grade separation projects	-	-	793,526	793,526
Street capital construction	-	-	67,402	67,402
Street capital improvements P&M	-	-	1,207,667	1,207,667
Trails & paths	-	-	21,516	21,516
Committed to:				
Winter weather operations	-	-	160,043	160,043
Assigned to:				
Civic bldg capital replacement	-	-	842,964	842,964
Capital reserve improvements (city wide)	-	-	8,503,764	8,503,764
Parks & recreation programs	-	-	34,746	34,746
Street capital improvements P&M	-	-	4,584,478	4,584,478
Solid waste services	-	-	726,430	726,430
Unassigned	45,970,731	-	-	45,970,731
<b>Total Fund Balances</b>	<b>48,245,511</b>	<b>759,299</b>	<b>28,316,812</b>	<b>77,321,622</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 56,610,235</b>	<b>\$ 1,502,701</b>	<b>\$ 30,899,377</b>	<b>\$ 89,012,313</b>

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

**City of Spokane Valley, Washington**  
*Reconciliation of the Balance sheet of Governmental Funds  
To the Statement of Net Position  
December 31, 2020*

**Total governmental fund balances:** **\$ 77,321,622**

*Amounts reported for governmental activities in the statement  
of net position are different because:*

Capital assets used in governmental activities are not financial resources.  
This amount reflects the initial investment in capital assets and are not  
reported in the funds.

140,538,873

Certain earned tax revenues will be collected after year end and will not  
be available until after year end to pay for current expenditures; and  
therefore reported as unearned revenues in the funds.

These revenues consist of:

Sales and use taxes	2,937,898
Motor fuel taxes	143,576
Hotel/Motel taxes	42,822
Real estate excise taxes	38
Affordable & supportive housing taxes	22,611

<b>Total</b>	<b>3,146,945</b>
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Other long-term assets are not available to pay for current period expenditures  
and therefore are reported as unearned in the funds:

Property taxes	524,370
Intergovernmental	807,662
Charges for services	64,495

<b>Total</b>	<b>1,396,527</b>
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Internal service funds are used by management to charge the cost of certain  
activities, such as equipment rental and self insurance, to the individual  
funds. The assets and liabilities of the internal service fund are included in  
governmental activities in the statement of net position.

1,728,446

Long-term liabilities, including capital leases payable, accrued interest payable,  
deferred inflows and outflows, and GASB68 net pension liabilities (NPL) are not  
due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(11,120,000)
Interest payable	(34,071)
Net pension liabilities	(2,400,117)
Deferred inflows of resources	(1,009,793)
Deferred outflows of resources	935,422
Premium on bond issuance	(955,160)
Compensated Absences	(737,327)

<b>Total</b>	<b>(15,321,046)</b>
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**Total Net position of Governmental Activities as shown  
on the Statement of Net Position:**

**\$ 208,811,367**

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds**

*For the Year Ended December 31, 2020*

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 40,821,243	\$ 1,388,026	\$ 4,387,554	\$ 46,596,823
Licenses and permits	4,584,892	-	76,541	4,661,433
Intergovernmental	6,746,645	1,869,710	7,898,075	16,514,430
Charges for services	143,674	93,033	1,965,157	2,201,864
Fines and forfeitures	417,063	-	-	417,063
Investment interest	254,636	829	134,716	390,181
Miscellaneous	118,656	55,441	542,761	716,858
<b>Total Revenues</b>	<b>53,086,809</b>	<b>3,407,039</b>	<b>15,004,804</b>	<b>71,498,652</b>
<b>Expenditures</b>				
Current:				
General government	9,644,876	-	22,288	9,667,164
Public safety	25,640,005	-	-	25,640,005
Utilities and physical environment	-	-	65,385	65,385
Transportation	990,248	4,852,263	438,660	6,281,171
Economic environment	968,060	-	154,082	1,122,142
Community development	3,023,987	-	-	3,023,987
Culture and recreation	2,271,218	-	-	2,271,218
Debt Service:				
Principal retirement	-	-	595,000	595,000
Interest	-	-	426,700	426,700
Capital Outlay:				
Capital expenditures	242,801	80,888	13,912,223	14,235,912
Construction in progress	-	-	4,635,563	4,635,563
<b>Total Expenditures</b>	<b>42,781,195</b>	<b>4,933,151</b>	<b>20,249,901</b>	<b>67,964,247</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>10,305,614</b>	<b>(1,526,112)</b>	<b>(5,245,097)</b>	<b>3,534,405</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	11,390	1,729,146	11,324,272	13,064,808
Transfers (out)	(5,298,711)	-	(8,240,169)	(13,538,880)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,287,321)</b>	<b>1,729,146</b>	<b>3,084,103</b>	<b>(474,072)</b>
<b>Net Change in Fund Balances (deficit)</b>	<b>5,018,293</b>	<b>203,034</b>	<b>(2,160,994)</b>	<b>3,060,333</b>
<b>Fund Balances Beginning of Year</b>	<b>43,227,218</b>	<b>556,265</b>	<b>30,477,806</b>	<b>74,261,289</b>
<b>Fund Balances End of Year</b>	<b>\$ 48,245,511</b>	<b>\$ 759,299</b>	<b>\$ 28,316,812</b>	<b>\$ 77,321,622</b>

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



*City of Spokane Valley, Washington*  
*Reconciliation of the Statement of Revenues, Expenditures and Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended December 31, 2020*

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<b>Net change in fund balances - total governmental funds:</b>	<b>\$</b>	<b>3,060,333</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and contributions exceeded depreciation in the current period:

Depreciation	(8,587,001)	
Capital outlay	18,871,475	10,284,474

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Sales and use taxes	394,885	
Property taxes	300,821	
Excise taxes	(9,071)	
Other taxes	(16,068)	
Miscellaneous	(46,441)	
Capital-operating grants and contributions	332,672	956,798

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar transactions when debt is first issued or refunded, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the application of long-term debt and related items:

595,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(120,534)	
Pension expense	776,731	
Amortization expense on LTGO Bonds	61,476	
Interest expense accrual	1,487	719,160

Internal service funds are used by management to charge the costs of fleet and risk management individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities:

239,626

**Total Change in Net Position of Governmental Activities**  
*as shown on the Statement of Activities:*

**\$ 15,855,391**

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

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**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

**Statement of Net Position - Proprietary Funds**

December 31, 2020

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>StormWater Management Fund</b>	<b>Aquifer Protection Area Fund</b>	<b>Total Proprietary Funds</b>	
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,446,752	\$ 2,334,271	\$ 4,781,023	\$ 1,730,438
Taxes receivable	173,529	-	173,529	-
Accounts receivable, (net)	-	-	-	-
Interest receivable	230	217	447	145
Grants receivable	-	27,438	27,438	-
Prepays	21,093	-	21,093	-
<b>Total Current Assets</b>	<b>2,641,604</b>	<b>2,361,926</b>	<b>5,003,530</b>	<b>1,730,583</b>
Capital Assets:				
Land	223	5,800	6,023	-
Buildings & structures	382,881	-	382,881	-
Machinery and equipment	225,791	-	225,791	830,490
Infrastructure	5,025,811	4,588,770	9,614,581	-
Construction in progress	119,813	329,592	449,405	-
Less accumulated depreciation	(2,119,508)	(1,154,311)	(3,273,819)	(250,767)
Total capital assets (net of accumulated depreciation)	3,635,011	3,769,851	7,404,862	579,723
<b>Total Assets</b>	<b>\$ 6,276,615</b>	<b>\$ 6,131,777</b>	<b>\$ 12,408,392</b>	<b>\$ 2,310,306</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts related to pensions	37,780	-	37,780	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 37,780</b>	<b>\$ -</b>	<b>\$ 37,780</b>	<b>\$ -</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	\$ 160,922	\$ 232,916	\$ 393,838	\$ 2,018
Accrued payroll and benefits payable	25,987	7,742	33,729	119
Deposits and other payables	32,100	-	32,100	-
Compensated absences, (current)	921	-	921	-
Retainage payables	50,094	903	50,997	-
Unearned revenue	78,902	-	78,902	-
<b>Total Current Liabilities</b>	<b>348,926</b>	<b>241,561</b>	<b>590,487</b>	<b>2,137</b>
Long-term Liabilities:				
Compensated absences	35,908	-	35,908	-
Net pension plan liabilities	93,818	-	93,818	-
<b>Total Long-term Liabilities</b>	<b>129,726</b>	<b>-</b>	<b>129,726</b>	<b>-</b>
<b>Total Liabilities</b>	<b>478,652</b>	<b>241,561</b>	<b>720,213</b>	<b>2,137</b>
<b>Deferred Inflows of Resources</b>				
Deferred amounts related to pensions	40,936	-	40,936	-
<b>Total Deferred Inflows of Resources</b>	<b>40,936</b>	<b>-</b>	<b>40,936</b>	<b>-</b>
<b>Net Position</b>				
Investments in capital assets	3,635,011	3,769,851	7,404,862	579,723
Restricted	192	-	192	-
Unrestricted	2,159,604	2,120,365	4,279,969	1,728,446
<b>Total Net Position</b>	<b>\$ 5,794,807</b>	<b>\$ 5,890,216</b>	<b>\$ 11,685,023</b>	<b>\$ 2,308,169</b>

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

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

**Statement of Revenues, Expenses, and Changes in Net Position**

**Proprietary Funds**

**For the Year Ended December 31, 2020**

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>StormWater Management Fund</b>	<b>Aquifer Protection Area Fund</b>	<b>Total Proprietary Funds</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 1,910,349	\$ -	\$ 1,910,349	\$ 105,000
Miscellaneous revenues	482	-	482	-
Intergovernmental revenues	-	426,234	426,234	-
<b>Total Operating Revenues</b>	<b>1,910,831</b>	<b>426,234</b>	<b>2,337,065</b>	<b>105,000</b>
<b>Operating Expenses</b>				
Personal services	382,037	-	382,037	7,781
Licenses and permits	40,452	-	40,452	-
Professional services	120,064	18,980	139,044	337,987
Materials and supplies	49,228	-	49,228	-
Other services and expenses	1,122,805	350	1,123,155	-
Depreciation and amortization	278,514	219,751	498,265	59,211
<b>Total Operating Expenses</b>	<b>1,993,100</b>	<b>239,081</b>	<b>2,232,181</b>	<b>404,979</b>
<b>Operating Income (loss)</b>	<b>(82,269)</b>	<b>187,153</b>	<b>104,884</b>	<b>(299,979)</b>
<b>Non-Operating Revenues (Expenses)</b>				
Intergovernmental revenues	304	60,996	61,300	-
Interest and investment income	10,244	9,134	19,378	6,322
<b>Total Non-Operating Revenues (Expenses)</b>	<b>10,548</b>	<b>70,130</b>	<b>80,678</b>	<b>6,322</b>
<b>Income (loss) before Capital Contributions and Transfers</b>	<b>(71,721)</b>	<b>257,283</b>	<b>185,562</b>	<b>(293,657)</b>
<b>Transfers</b>				
Transfers in	-	-	-	474,072
Transfers (out)	-	-	-	-
<b>Change in Net Position</b>	<b>(71,721)</b>	<b>257,283</b>	<b>185,562</b>	<b>180,415</b>
<b>Net Position-Beginning of Year, January 1</b>	<b>5,866,528</b>	<b>5,632,933</b>	<b>11,499,461</b>	<b>2,127,754</b>
<b>Net Position-End of Year, December 31</b>	<b>\$ 5,794,807</b>	<b>\$ 5,890,216</b>	<b>\$ 11,685,023</b>	<b>\$ 2,308,169</b>

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

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>StormWater Management Fund</b>	<b>Aquifer Protection Area Fund</b>	<b>Total Proprietary Funds</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,780,924	\$ 8,930	\$ 1,789,854	\$ -
Cash payments to employees	(411,703)	7,660	(404,043)	(7,698)
Cash payments to suppliers for goods and services	(1,220,200)	192,893	(1,027,307)	(337,246)
Other cash receipts	(2,847)	426,234	423,387	-
Receipts from interfund activity	-	-	-	105,000
Payments to interfund activity	(14,000)	-	(14,000)	-
Other cash payments	(4,411)	903	(3,508)	-
<b>Net cash (used for) provided by operating activities</b>	<b>127,763</b>	<b>636,620</b>	<b>764,383</b>	<b>(239,944)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating subsidies & transfers in (out) other funds	-	-	-	474,072
<b>Net cash (used for) noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474,072</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital grants	4,497	60,996	65,493	-
Acquisition, construction & (transfers) of capital assets	(227,770)	(474,970)	(702,740)	(283,278)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(223,273)</b>	<b>(413,974)</b>	<b>(637,247)</b>	<b>(283,278)</b>
<b>Cash Flows from Investing Activities</b>				
Interest received	13,201	11,259	24,460	8,372
<b>Net cash provided by investing activities</b>	<b>13,201</b>	<b>11,259</b>	<b>24,460</b>	<b>8,372</b>
Net increase (decrease) in Cash and Cash Equivalents	(82,309)	233,905	151,596	(40,778)
Cash and Cash Equivalents - January 1, 2020	2,529,061	2,100,366	4,629,427	1,771,216
<b>Cash and Cash Equivalents - December 31, 2020</b>	<b>\$ 2,446,752</b>	<b>\$ 2,334,271</b>	<b>\$ 4,781,023</b>	<b>\$ 1,730,438</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (loss)	\$ (82,269)	\$ 187,153	\$ 104,884	\$ (299,979)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>				
Depreciation	278,514	219,751	498,265	59,211
<i>(Increase) Decrease in Assets and Deferred Outflows:</i>				
(Increase) Decrease: Customer receivables (net)	(129,425)	8,930	(120,495)	-
(Increase) Decrease: Operating grants receivables	-	-	-	-
(Increase) Decrease: Prepaid expenses	(1,248)	-	(1,248)	-
(Increase) Decrease: Deferred outflows related to pensions	(3,329)	-	(3,329)	-
<i>Increase (Decrease) in Liabilities and Deferred Inflows:</i>				
Increase (Decrease): Accounts payable to suppliers	57,898	212,223	270,121	741
Increase (Decrease): Accounts payable - other	37,288	903	38,191	-
Increase (Decrease): Payroll and benefits payable	(30,256)	7,660	(22,596)	83
Increase (Decrease): Other accounts payables	-	-	-	-
Increase (Decrease): Deferred Inflows	-	-	-	-
Increase (Decrease): Compensated absences	590	-	590	-
Total adjustments	210,032	449,467	659,499	60,035
<b>Net Cash Provided by (Used for) by Operating Activities</b>	<b>\$ 127,763</b>	<b>\$ 636,620</b>	<b>\$ 764,383</b>	<b>\$ (239,944)</b>

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

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2020***

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*Statement of Fiduciary Net Position*  
*December 31, 2020*

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	<b>Custodial Fund - Passthrough Fees &amp; Taxes</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,454
Accounts receivable, (net)	34,216
<b>Total Assets</b>	<b>\$ 42,670</b>
 <b>Liabilities</b>	
Accounts payable	\$ 42,357
<b>Total Liabilities</b>	<b>\$ 42,357</b>
 <b>Net Position</b>	
Restricted for:	
Other governments	313
<b>Total Net Position</b>	<b>\$ 313</b>

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

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***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2020***

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***Statement of Changes in Fiduciary Net Position***  
***For the Year Ended December 31, 2020***

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	<b>Custodial Fund - Passthrough Fees &amp; Taxes</b>
<b>Additions</b>	
Fees collected for other governments	\$ 367,758
Leasehold taxes collected for other governments	4,314
<b>Total Additions</b>	<b>372,072</b>
 <b>Deductions</b>	
Fees distributed to other governments	367,758
Leasehold taxes distributed to other governments	4,001
<b>Total Deductions</b>	<b>371,759</b>
 <b>Net increase (decrease) in fiduciary net position</b>	<b>313</b>
 <b>Net Position - Beginning of Year, January 1</b>	<b>-</b>
<b>Net Position - End of Year, December 31</b>	<b>\$ 313</b>

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

# City of Spokane Valley

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## Notes to Financial Statements

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### ***NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:***

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The financial statements of the City of Spokane Valley have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

#### **A. Reporting entity**

The City of Spokane Valley, Washington (the City) was incorporated on March 31, 2003 and operates under the laws of the State of Washington applicable to Council – Manager Form of government. As required by the generally accepted accounting principles the financial statements present the City of Spokane Valley.

#### **B. Basis of presentation - government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted meeting operational or capital requirements, or a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's Stormwater functions and various other functions and activities within the government. Elimination of these charges would distort the direct costs and program revenues reported in these various functions concerned.

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

The City of Spokane Valley reports the following major governmental funds:

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

*The Street Fund:* This Special revenue fund is responsible for the street operating and maintenance service levels of all Spokane Valley city streets and bridges. It utilizes the receipts received from the motor vehicle fuel tax (MVFT) distributed to the City in accordance with the State Revised Codes of Washington (RCW) 82.36.020 and receipts from the City Telephone Tax implemented in 2009. Most of the service levels to the city streets during 2020 are the same or greater than provided for compared to 2019.

# City of Spokane Valley

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## Notes to Financial Statements

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### **NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*:**

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The City reports the following *major proprietary funds*:

*The Stormwater Management Fund*: accounts for the receipt and expenditure of the stormwater management fee. The expenditures are used for stormwater control, construction, and management.

*The Aquifer Protection Area Fund*: accounts for aquifer protection area fees collected by Spokane County and remitted to the City. The expenditures are used for projects that protect the aquifer.

Additionally, the City of Spokane Valley reports the following fund types:

*Special revenue funds*: account for revenue sources that are legally restricted or designated to finance particular activities.

*Debt service fund*: accounts for the resources accumulated and payments made for principal and interest on general government debt, except those to be accounted for in another fund.

*Capital project funds*: account for the acquisition or development of capital facilities for governmental activities. The major sources of revenues are from proceeds of general obligation bonds, grants from other agencies, and contributions from other funds.

*Internal service funds*: accounts account for fleet management and risk management services (including claims for workers' compensation, general liability, and property damage) provided to other departments of the City of Spokane Valley, or to other governments on a cost-reimbursement basis.

*Custodial fund*: accounts for taxes and fees collected on behalf of other governments, which are then passed through to those governments.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

#### **1. Government-Wide and Governmental Funds**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.



## Notes to Financial Statements

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### ***NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued:***

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Property taxes, sales taxes, franchise fees, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been satisfied, and the amount is received during the period or within the availability period for this revenue source, usually within 60 days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the City.

#### **2. Proprietary Funds**

The proprietary fund statements are reported using the economic resources measurement focus and full -accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Stormwater Management Fund and Aquifer Protection Area Fund are stormwater management fees, aquifer protection area fees from Spokane County, and government grants. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### **D. Budgetary Information**

##### **1. Budgetary basis of accounting**

Annual appropriated budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The governmental funds are budgeted on the modified accrual basis of accounting, whereas the basis of accounting for proprietary funds is full accrual. Legal budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is established at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers are used to monitor expenditures for individual functions and activities by object class.

##### **2. Procedures for adopting the original budget**

The City's budget procedures are mandated by the Revised Code of Washington 35A.33. The following are key procedural steps in the City's budget development process. Note that the process and dates are for the 2020 budget process and may be changed for future processes:

- In April, the official "budget call" required by State law is made to all department directors or fund managers. Budget development instructions and other materials are provided to the departments at this time.
- In May, departments submit revenue and expenditure estimates to the Finance department. The City Council and City management staff discuss City goals and priorities and reaffirms overall City priorities, vision, and mission at a mid-year retreat. Additional policy guidance is provided throughout the year.
- In June, the City conducts the budget workshop with Council.
- In July, the Finance department submits the preliminary budget to the City Manager.
- In August, the City Manager submits estimates on the current year's revenue and expenditures for the upcoming year to the council. During August, preliminary budget documents are prepared, printed and filed with the City Clerk. This proposed budget is presented to the City Clerk, and copies are made available to the public. The Council sets the dates of the preliminary and final budget hearings.

# City of Spokane Valley

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## Notes to Financial Statements

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### *NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued:*

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- Before December 31<sup>st</sup>, the City Council, by a majority vote, adopts the budget by ordinance, establishing the budget appropriation for the year.
- The approved budget is published and distributed during the first quarter of the following year. Copies are made available to the public.
- Monthly budget monitoring reports are produced by the Finance Department to report on actual performance compared to budget estimates and to identify any remedial actions that may be needed.

#### **3. Amending the budget**

The budget, as adopted, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. The City Manager is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of a fund, or that effect the number of authorized employee positions, salary ranges, or other conditions of employment must be approved by the City Council. When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding a public hearing.

The City's budget was amended once during fiscal year 2020. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes. Annual appropriations for all funds lapse at the end of the fiscal period even if they have related encumbrances. Unexpended resources must be re-appropriated and become part of the subsequent period's budget pursuant to Washington State regulations.

#### **E. Assets, Liabilities, Unearned revenues, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash and cash equivalents**

The City considers all highly liquid assets including demand deposits, petty cash, money market accounts, certificates of deposit (CDs), investments in the Washington State Treasurer's Local Government Investment Pool (LGIP), and short-term investments with a maturity of three months or less from the date of acquisition, as cash and cash equivalents. These amounts are classified on the balance sheet or in the statement of net position within cash and cash equivalents in the various funds. The interest on these investments is prorated to the applicable funds and the City's policy has been to hold its investments until maturity in an attempt to reduce market fluctuation risk. Investments of the City can be drawn down on demand.

##### **2. Investments**

As authorized by Washington state law, the City is allowed to invest in obligations of: the U.S. Treasury, commercial paper, certificates of deposits, money market funds, mutual funds, and the Washington State Treasurer's Local Government Investment Pool (LGIP).

Investments for the City of Spokane Valley are reported at amortized cost at December 31, 2020. The fair value of the LGIP portfolio is calculated by a master custodian or by an independent pricing service under contract with the State Treasurer's Office. The reported amortized value of the City's pool position in the State of Washington's LGIP is the same as the fair value of the pool shares (refer to note 3).

##### **3. Receivables**

Taxes receivable consist of property taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes, and contracts. Grants receivable consist of amounts due from other governments

## Notes to Financial Statements

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### **NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*:**

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for work performed on reimbursement-type grants. Customer accounts receivable/payable consist of amounts owed from/to private individuals or organizations for goods and services, including amounts owed.

Receivables have been reported *net* of estimated uncollectible accounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. Grants receivable are considered fully collectible and no estimated uncollectible amounts are established.

#### **4. Amounts due to and from other funds, interfund loans and advances receivable**

During the course of operations, the City of Spokane Valley has activity between funds for various purposes. Any residual balances outstanding at year end are reported as *due from/to other funds*. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental-type activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental-type activities column. Similarly, balances between the funds included in business-type activities (i.e., the proprietary funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column (refer to note 9).

Further, certain activity occurs during the year involving *transfers* of resources between funds. In the fund financial statements these amounts are reported at gross amounts of *transfers in/out*. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. *Transfers* between the funds included in governmental-type activities are eliminated so that only the net amount is included as transfers in the governmental-type activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column (refer to note 9).

#### **5. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when it was purchased.

#### **6. Capital assets**

Capital assets include: property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type columns in the government-wide financial statements. The City defines capital assets, including infrastructure assets as assets with an initial and individual cost of more than \$5,000, and an estimated useful life in excess of four years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded of estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of proprietary/business-type activities is included as part of the capitalized value of the assets constructed and the amount of interest capitalized depends on the specific circumstances (refer to note 5). There were no interest expenses incurred during 2020 that were included as part of the cost of capital assets under construction.

# City of Spokane Valley

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## Notes to Financial Statements

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### **NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*:**

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Land and construction in progress (CIP) are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated service lives:

Buildings and improvements	10 - 60 years
Infrastructure	5 - 40 years
Light/Heavy duty transportation equipment	5 - 10 years
Other equipment	2 - 20 years
Office and computer equipment	3 - 5 years

#### **7. Deferred outflows/inflows of resources**

The City of Spokane Valley currently has one source that qualifies for reporting as a deferred outflow/inflow of resources for fiscal year 2020 under this standard. This source consists the proportionate share in net pension obligations as per GASB 68.

At December 31, 2020, the City of Spokane Valley reported deferred outflows of \$973,202 for pension plans and deferred inflows of \$1,050,729 for the same plans for its proportionate share of the net pension liabilities.

#### **8. Compensated absences**

Compensated absences are absences for which employees will be paid, such as vacation. Vacation pay, which may be accumulated up to 360 hours, is payable upon resignation, retirement, or death. All vacation pay is accrued when incurred in the government-wide, proprietary and fund financial statements. An additional amount has been accrued for the City's share of Medicare taxes and the Social Security substitute plan related to vacation accruals. A liability for these amounts is reported in the governmental fund statements only if they have matured; for example, the result of an employee resignation and/or retirement.

#### **9. 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. Investments are reported at fair value.

#### **10. Other Accrued Liabilities**

These accounts consist primarily of accrued wages and employee benefits and deposits payable (refer to note 12).

#### **11. Long-Term Debt**

Refer to note 10 – Long-Term Obligations and Leases.

#### **12. Unearned Revenues**

The unearned revenues account is used to offset receivables established in the governmental fund financial statement for certain revenues that are measurable but not considered available to finance payment of current obligations, and, therefore, are not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, this liability account is reduced and corresponding revenue is recorded. Unearned revenues represented in this manner on the accompanying financial statements are: uncollected property taxes levied, uncollected road taxes levied, sales and use taxes, motor fuel taxes, hotel/motel taxes, and reimbursement-type grants received outside the period of availability.

## Notes to Financial Statements

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### *NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued:*

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#### **13. Net position flow assumptions**

Sometimes the City of Spokane Valley will fund outlays for a particular purpose from both restricted (e.g., grant proceeds or street construction and maintenance) and unrestricted resources. In order to calculate these amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which these resources are considered to be applied and used. The City considers restricted – net position to have been depleted before unrestricted – net position is applied.

#### **14. Fund balance flow assumptions**

Sometimes the City of Spokane Valley will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the City's governmental fund financial statements, a flow assumption must be made about the order in which these resources are considered to be applied and used. When both restricted and unrestricted fund balances are available for use, the City depletes restricted fund balance first before using any of the components of unrestricted fund balance. Similarly, before unrestricted fund balance can be used for the same purpose, committed fund balance amounts are reduced first, followed by assigned fund balance, and then unassigned fund balance amounts are used when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be applied.

#### **15. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of these financial resources for specific purposes. The City of Spokane Valley itself can establish limitations on the use of its financial resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance has constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority.

The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit a fund balance. Once adopted, the limitation imposed by the ordinance remains in place until similar action is taken (adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. The City Council can by resolution or motion authorize the Finance Director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. No formal or additional action is required by the City Council to remove an assignment. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

The City has a policy of maintaining a minimum General Fund ending fund balance of at least fifty percent of recurring general fund expenditures, which represents approximately six months of General Fund operations.

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*:**

As discussed earlier, the City does not have a fund balance spending prioritization policy. Therefore, restricted resources are used first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### **F. Accounting and reporting changes**

For the reporting year ended December 31, 2020, the City has implemented GASB 84, *Fiduciary Activities*. As part of this implementation, a custodial fund was created to account for district court pass through fees as well as sales taxes and leasehold excise taxes collected on behalf of the State of Washington. There was no prior period activity that required adjustment as part of this implementation.

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

#### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund statements include reconciliations between the fund statements and the government-wide statements. Differences that make reconciliations necessary include the two differing measurement focuses and basis of accounting, accrual and modified accrual between the statements.

The governmental fund balance includes reconciliations between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, net pension liabilities, deferred outflows and inflows, and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of the (\$15,321,046) difference are as follows:

Bonds payable	\$ (11,120,000)
Interest payable	(34,071)
Net pension liabilities	(2,400,117)
Deferred inflows of resources	(1,009,793)
Deferred outflows of resources	935,422
Premium on bond issuance	(955,160)
Compensated absences	<u>(737,327)</u>
Net adjustment to <b>reduce</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (15,321,046)</u></u>

Another element of that reconciliation explains the “Internal service funds are used by management to charge the cost of certain activities, such as health insurance costs to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.” The details of the \$1,728,446 difference are as follows:



# City of Spokane Valley

## Notes to Financial Statements

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

Net position of the internal service fund	\$ 2,308,169
Less: Governmental type Internal Service Capital Assets	<u>(579,723)</u>
Net adjustment to <b>increase</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position governmental activities</i>	<u><b>\$ 1,728,446</b></u>

Also, another element of the reconciliation explains that capital assets used in governmental activities are not financial resources and the balance reflects the initial investment in capital assets and therefore “governmental funds do not report capital assets.” The details of the \$140,538,873 difference are as follows:

Land	\$ 15,913,919
Construction in Progress	<u>7,054,023</u>
Total non-depreciable capital assets	<u>22,967,942</u>
Depreciable capital assets	\$ 401,179,909
Less: Accumulated depreciation-depreciable assets	<u>(283,608,978)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>117,570,931</u>
Net adjustment to <b>increase</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><b>\$140,538,873</b></u>

Certain earned tax revenues were collected and other long-term assets will not be available until after the year end to pay for current expenditures, and therefore represent an acquisition of net position that applies to future period(s) and will not be recognized as an *inflow of resources (revenue)* until that time, and accordingly these items will be reported as *unearned revenues* in the governmental fund balance sheet. The details of the \$4,543,472 reconciled difference presented as follows:

Unearned revenue-property tax	\$ 524,370
Unearned revenue-other taxes	3,146,945
Unearned revenue-intergovernmental & charges for services	<u>872,157</u>
Net adjustment to <b>increase</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position governmental activities</i>	<u><b>\$ 4,543,472</b></u>

### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes this reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the current period.” The details of this \$10,284,475 difference are as follows:

# City of Spokane Valley

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## Notes to Financial Statements

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

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Capital outlay	\$ 18,871,475
Depreciation expense	<u>(8,587,000)</u>

Net adjustment to **increase** *net changes in fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*

**\$ 10,284,475**

Another element of the reconciliation states that “some long-term revenues in the statement of activities that do not provide current financial resources to governmental funds are not reported as revenues in the funds.” The details of this \$956,798 difference are as follows:

Unearned revenue-property taxes	\$ 300,821
Unearned revenue-sales & use taxes	394,885
Unearned revenue-excise taxes	(9,071)
Unearned revenue-other taxes	(16,068)
Unearned revenue-charges for services	(46,441)
Unearned revenue-capital grants & contributions	<u>332,672</u>

Net adjustment to **increase** *net changes in fund balances- total governmental funds* to arrive at changes in *net position of governmental activities*

**\$ 956,798**

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$719,159 difference are as follows:

Compensated absences	\$ (120,534)
Pension expense (GASB 68)	776,730
Amortization expense on LTGO Bonds	61,476
Accrued interest on LTGO Bonds	<u>1,487</u>

Net adjustment to **increase** *net changes in fund balances - total governmental funds* to arrive at changes in *net position of governmental activities*

**\$ 719,159**



# City of Spokane Valley

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## Notes to Financial Statements

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

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Another element of the reconciliation states the “internal service funds are used by management to charge the cost of certain activities, such as self-insurance and equipment rental and replacement, to individual funds.” The details of this \$239,626 difference are as follows:

Revenues:

Interest and investment income & charges for services	\$ 111,322
Total Revenues	<u>111,322</u>

Expense and net transfer:	<u>128,304</u>
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Net adjustment to <b>increase</b> <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 239,626</u></u>
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### **NOTE 3 – DEPOSITS AND INVESTMENTS:**

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#### **A. Deposits**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Spokane Valley would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City’s deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2020, the City of Spokane Valley’s total bank balance of \$7,960,703 was insured and covered by the FDIC and the Washington State PDPC, pool and therefore was not exposed to any custodial credit risk-deposits. These banks deposits were in a State authorized public depository and were within the State limit of the depositories (bank’s) net worth per RCW 39.58.010 and RCW 39.58.135.

#### **B. Investments**

State statutes authorize the City of Spokane Valley to invest in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, corporate bonds, and the State Treasurer’s Investment Pool.

The State Treasurer’s Investment Pool (Pool) operates in accordance with state law, with oversight from the Office of the Treasurer. The Pool has a credit rating of AAA from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high-quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

Investments are subject to the following risks:

*Interest rate risk:* Interest rate risk is the risk the City of Spokane Valley may face should interest rate variances affect the fair value of investments. The City of Spokane Valley does not have a formal policy that addresses interest rate risk. In accordance with its investment policy, the City of Spokane Valley manages its exposure to declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to less than six months.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 3 – DEPOSITS AND INVESTMENTS *continued*:

As of December 31, 2020, the City of Spokane Valley had the following investments at amortized cost:

<b>Investment Type</b> <i>(amounts are in thousands)</i>	<b><u>Maturities</u></b>	
Certificates of deposit	1.08	\$ 5,079
Local Government Investment Pool State of Washington	0.47	71,995
Total amortized cost of investments:		
Portfolio weighted average maturity	<b>0.51</b>	<b>\$ 77,074</b>

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City of Spokane Valley does not have formal policy that addresses credit risk.

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligation of Washington State municipalities the State Treasurer's Local Government Investment Pool (LGIP Revised Code of Washington RCW 43.250), and certificates of deposit (CDs) with Washington State banks and savings and loan institutions. Also, State law limits these investments to the highest ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City of Spokane Valley's policy to limit its investments in these investment types to the highest ratings issued by NRSROs. The City of Spokane Valley's investment in the State Treasurer's investment pool was rated Aaa by Moody's.

*Custodial credit risks:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Spokane Valley will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City of Spokane Valley does not have a formal policy for custodial credit risk. The City of Spokane Valley maintains a deposit policy for custodial credit risk by limiting deposits and certificates of deposits to be covered by (FDIC) or through collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2020, the City had \$71,995,467 held by Washington State Treasurer in the LGIP, \$3,078,659 held by Northwest Bank in a certificate of deposit, and \$2,000,000 held by Banner Bank in a certificate of deposit.

*Concentration of credit risk:* Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The City of Spokane Valley does not have a formal policy for concentration of credit risk.

#### Investments in Local Government Investment Pool (LGIP)

The City of Spokane Valley is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The LGIP has an operations manual to describe operating policies and procedures for investing in the State pool. The minimum transaction size is \$5,000 for deposits and withdrawals. A notification to LGIP should be made at least a day prior to a large deposit/withdrawal of ten million or more. The State Treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the LGIP. The administrative fee accrues daily from pool participants' earnings prior to the earnings being posted to their account. The administrative fee will be paid monthly. In the event that there are no earnings, the administrative fee will be deducted from principal.

# City of Spokane Valley

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## Notes to Financial Statements

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### ***NOTE 3 – DEPOSITS AND INVESTMENTS continued:***

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The office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

### ***NOTE 4 – PROPERTY TAXES:***

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

Taxes are levied annually on January 1<sup>st</sup> on property values assessed as of the prior year May 31<sup>st</sup>. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every four years. Taxes are due in two equal installments on April 30th and October 31st. Tax liens are automatic at the point the taxes are levied.

Property taxes are recorded as a receivable when levied, offset by unearned revenue. Also, property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue in the applicable period. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The tax rate for general City operations is limited by State law (RCW 84.52.043) to \$3.60 per \$1,000 of assessed valuation, deducting from there the levy of \$1.23 by the Spokane County Fire Districts #1 and #8, and \$0.50 for Library Districts, which leaves the City with the authority to levy \$1.87 for its own purposes.

For 2020, the City's regular levy was \$1.22 per \$1,000 on an assessed valuation of \$10,200,357,539 for a total regular levy of \$12,399,226.

The Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 5 – CAPITAL ASSETS AND DEPRECIATION:

Donated capital assets received from Spokane County at the time of incorporation were recorded at cost and the accumulated depreciation at the time of transfer. The following schedule details capital assets donated and transferred during the year ended December 31, 2003:

	Historical Cost	Accumulated Depreciation	Balance after Depreciation Costs
<b>Infrastructure:</b>			
Roadways	\$ 187,732,531	\$ 127,418,027	\$ 60,314,504
Signs, signals, beacons	9,056,000	4,528,000	4,528,000
Crosswalks	130,084	13,008	117,076
Bridges	5,633,979	2,808,112	2,825,867
<b>Total infrastructure</b>	<b>202,552,594</b>	<b>134,767,147</b>	<b>67,785,447</b>
<b>Parks:</b>			
Land	1,548,655	-	1,548,655
Buildings	898,729	609,824	288,905
Improvements other than buildings	2,123,571	1,059,298	1,064,273
Machinery and equipment	3,337	3,003	334
<b>Total parks</b>	<b>4,574,292</b>	<b>1,672,125</b>	<b>2,902,167</b>
<b>Total County assets donated</b>	<b>\$ 207,126,886</b>	<b>\$ 136,439,272</b>	<b>\$ 70,687,614</b>

Governmental-type Capital asset activity for the year ended December 31, 2020, is summarized as follows:

	Beginning			Ending Balance
Governmental-type activities	Balance 1/1/2020	Additions	Reductions	Dec. 31, 2020
Land (non-depreciable)	\$ 10,529,858	\$ 5,384,061	\$ -	\$ 15,913,919
Construction in progress (CIP)	5,039,365	4,635,562	(2,620,904)	7,054,023
<b>Total non-depreciable assets</b>	<b>15,569,223</b>	<b>10,019,623</b>	<b>(2,620,904)</b>	<b>22,967,942</b>
Buildings	25,397,465	804,944	-	26,202,409
Leasehold improvements	755,113	-	-	755,113
Improvements other than buildings	13,989,613	3,062,631	-	17,052,244
Infrastructure	343,550,418	7,280,162	-	350,830,580
Machinery and equipment	5,752,410	608,298	(21,145)	6,339,563
<b>Total depreciable assets</b>	<b>389,445,019</b>	<b>11,756,035</b>	<b>(21,145)</b>	<b>401,179,909</b>
<b>Total capital assets</b>	<b>\$ 405,014,242</b>	<b>\$ 21,775,658</b>	<b>\$ (2,642,049)</b>	<b>\$ 424,147,851</b>

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 5 – CAPITAL ASSETS AND DEPRECIATION *continued*:

	Beginning Balance 1/1/2020	Additions	Reductions	Ending Balance 12/31/2020
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 5,592,776	\$ 603,500	\$ -	\$ 6,196,276
Leasehold improvements	269,497	44,826	-	314,323
Improvements other than buildings	8,211,811	800,870	-	9,012,681
Infrastructure	257,501,585	6,755,125	-	264,256,710
Machinery and equipment	3,467,453	382,680	(21,145)	3,828,988
<b>Total accumulated depreciation</b>	<b>\$ 275,043,122</b>	<b>\$ 8,587,001</b>	<b>\$ (21,145)</b>	<b>\$ 283,608,978</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 129,971,120</b>	<b>\$ 13,188,657</b>	<b>\$ (2,620,904)</b>	<b>\$ 140,538,873</b>

Business-type Capital asset activity for the year ended December 31, 2020, is summarized as follows:

<b>Business-type activities;</b>	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020
Land	\$ 6,023	\$ -	\$ -	\$ 6,023
Construction in progress	249,777	424,067	(224,439)	449,405
<b>Total non-depreciable</b>	<b>255,800</b>	<b>424,067</b>	<b>(224,439)</b>	<b>455,428</b>
Buildings and structures	382,881	-	-	382,881
Infrastructure	9,117,649	579,910	(82,978)	9,614,581
Machinery and equipment	219,613	6,178	-	225,791
<b>Total depreciable</b>	<b>9,720,143</b>	<b>586,088</b>	<b>(82,978)</b>	<b>10,223,253</b>
<b>Total capital assets</b>	<b>\$ 9,975,943</b>	<b>\$ 1,010,155</b>	<b>\$ (307,417)</b>	<b>\$10,678,681</b>
<b>(Less) accumulated depreciation for:</b>				
Buildings and structures	\$ 111,167	\$ 12,786	\$ -	\$ 123,953
Infrastructure	2,456,193	480,122	-	2,936,315
Machinery and equipment	208,194	5,357	-	213,551
<b>Total accumulated depreciation</b>	<b>2,775,554</b>	<b>498,265</b>	<b>-</b>	<b>3,273,819</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 7,200,389</b>	<b>\$ 511,890</b>	<b>\$ (307,417)</b>	<b>\$ 7,404,862</b>

# City of Spokane Valley

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## Notes to Financial Statements

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### ***NOTE 5 – CAPITAL ASSETS AND DEPRECIATION continued:***

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Depreciation expense was charged to current functions of the primary government for 2020 as follows (includes Internal Service Funds Governmental type):

**Governmental Activities:**

General Government	\$ 483,397
Public Safety	123,983
Physical Utilities & Environment	982,247
Transportation	5,567,338
Economic Environment	8,963
Culture & Recreation	<u>1,421,073</u>
<b>Total governmental activities current year depreciation expense</b>	<b><u>\$ 8,587,001</u></b>

**Business-type activity:**

StormWater	\$ 278,514
Aquifer Protection Area	<u>219,751</u>
<b>Total business-type activities current year depreciation expense</b>	<b><u>\$ 498,265</u></b>

### ***NOTE 6 – CONSTRUCTION COMMITMENTS:***

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The City of Spokane Valley was involved in many construction projects as of December 31, 2020. The projects include various street and park construction projects with a total of \$32,847,375 of contracts in place. The various street, bridge, and parks construction projects are being funded by state and local grants as well as existing resources in various City Funds. At year end the City's commitments with contractors are as follows:

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 6 – CONSTRUCTION COMMITMENTS *continued:*

Construction Commitments	Original Commitment	Spent to Date	Remaining Commitment at 12/31/20
Barker Rd/BNSF Grade Separation	3,965,002	2,898,287	1,066,715
Sprague/Barker Intersection Improvement	88,113	15,203	72,910
Pines Rd Underpass @ BNSF & Trent	2,636,694	426,333	2,210,361
Sprague Street Pres - Sullivan to Corbin	1,458,803	1,415,231	43,572
Sullivan & Wellesley Intersection Improv	25,000	4,268	20,732
Inland Asphalt Company Inc	713,925	687,370	26,555
North Sullivan ITS Project	752,939	634,167	118,772
Wellesley Sidewalk Project	726,849	666,457	60,392
Mission SW - Bowdish to Union	1,231,057	1,165,114	65,943
Appleway Trail-Evergreen to Sullivan	2,077,115	2,016,244	60,870
Evergreen - Mission Connector to Indiana	768,388	754,138	14,250
Euclid Avenue Preservation Project	1,120,125	1,097,241	22,884
Barker/I-90 Interchange	373,012	371,016	1,996
Barker Rd Widening - River to Euclid	2,749,518	929,627	1,819,891
Indiana Ave Pres - Evergreen to Sullivan	1,682,257	1,620,226	62,031
Broadway Preservation: Havana to Fancher	12,207	10,296	1,911
University Pres-Dishman-Mica to 16th	3,380,492	3,336,765	43,727
2019 Local Access Streets (Midilome)	1,388,465	1,180,935	207,531
Adams Sidewalk Infill Project	355,582	312,017	43,565
Garland Avenue Extension	1,480,148	1,430,168	49,980
Browns Park 2019 Construction Imp.	991,050	983,259	7,791
Argonne Rd Concrete Pvmt Indiana to Mont	14,500	12,738	1,763
Pines & Mission Intersection Improvements	72,798	47,257	25,541
Ella Sidewalk: Broadway to Alki	322,625	313,979	8,646
S. Conklin Road Sidewalk	129,383	115,757	13,626
CenterPlace West Lawn Phase 2	1,407,322	1,398,075	9,247
CenterPlace Roof Repair	742,517	679,092	63,425
Regional Decant Facility Canopy	23,077	18,980	4,097
Local Access Streets: Barker Homes	1,509,338	1,307,467	201,871
Sullivan Rd/ SR 290 Interchange Project	342,955	16,240	326,715
Barker Road/Union Pacific Crossing	15,000	3,721	11,279
Brown's Park 2020 Improvements	269,018	-	269,018
Appleway Stormwater Improvements	13,300	12,916	384
Wilbur Sidewalk: Boone to Mission	8,800	8,688	112
<b>Total Construction Commitments</b>	<b>32,847,375</b>	<b>25,889,273</b>	<b>6,958,102</b>

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 7 – PENSION PLANS:

The following table represents the aggregate pension amounts for all for the year 2020:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (2,493,935)
Pension assets	\$ -
Deferred outflows of resources	\$ 973,202
Deferred inflows of resources	\$ (1,050,729)
Pension expense/expenditures	\$ 135,050

#### State Sponsored Pension Plans

Substantially all City of Spokane Valley'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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

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

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

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



# City of Spokane Valley

## Notes to Financial Statements

### NOTE 7 – PENSION PLANS *continued*:

#### Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January - August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
September - December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

**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.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 7 – PENSION PLANS *continued*:

#### Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January - August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>
September - December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

The City of Spokane Valley actual PERS plan contributions were \$355,541 to PERS Plan 1 and \$586,968 to PERS Plan 2/3 for the year ended December 31, 2020. The City did not have any current employees participating in PERS Plan 1 during 2020. These contributions represent amounts allocated to PERS Plan 1 by DRS for the Unfunded Actuarial Accrued Liability (UAAL) to support payments for prior employees under this plan.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- *Inflation:* 2.75% total economic inflation; 3.50% salary inflation
- *Salary increases:* In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- *Investment rate of return:* 7.4%

## Notes to Financial Statements

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### ***NOTE 7 – PENSION PLANS continued:***

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Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 7 – PENSION PLANS *continued*:

#### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

#### Sensitivity of Net Pension Liability

The table below presents the City of Spokane Valley's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 2,125,974	\$ 1,697,307	\$ 1,323,466
PERS 2/3	\$ 4,956,833	\$ 796,628	\$ (2,629,303)

#### 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 June 30, 2020, the City reported a total pension liability of \$2,493,935 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,697,307
PERS 2/3	\$ 796,628

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 7 – PENSION PLANS *continued*:

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

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.047856%	0.048075%	0.000219%
PERS 2/3	0.061822%	0.062288%	0.000466%

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.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

#### Pension Expense

For the year ended December 31, 2020, the City of Spokane Valley recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 92,347
PERS 2/3	\$ 42,703

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

At December 31, 2020, the City of Spokane Valley reported deferred outflows of resources and deferred inflows of resources related to pensions from the following PERS plans:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ -	\$ -
Net difference between projected & actual investment earnings on pension plan investments	\$ -	\$ (9,450)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions & proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 176,299	\$ -
<b>Total</b>	<b>\$ 176,299</b>	<b>\$ (9,450)</b>

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 7 – PENSION PLANS continued:

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 285,181	\$ (99,837)
Net difference between projected & actual investment earnings on pension plan investments	\$ -	\$ (40,457)
Changes of assumptions	\$ 11,346	\$ (544,166)
Changes in proportion and differences between contributions & proportionate share of contributions	\$ 211,643	\$ (356,819)
Contributions subsequent to the measurement date	\$ 288,733	\$ -
<b>Total</b>	<b>\$ 796,903</b>	<b>\$ (1,041,279)</b>

Deferred outflows of resources related to pensions resulting from the City of Spokane Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	Year ended December 31:	PERS 2/3
2021	(42,884)	2021	(370,605)
2022	(1,349)	2022	(119,065)
2023	13,085	2023	(25,893)
2024	21,698	2024	24,239
2025	-	2025	(11,442)
Thereafter	-	Thereafter	(30,343)
<b>TOTAL</b>	<b>(9,450)</b>	<b>TOTAL</b>	<b>(533,109)</b>

### NOTE 8 – RISK MANAGEMENT:

The City of Spokane Valley is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

## Notes to Financial Statements

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### ***NOTE 8 – RISK MANAGEMENT continued:***

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Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

### ***NOTE 9 – INTERFUND BALANCES AND TRANSFERS:***

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#### **Interfund Transfers**

Interfund transfers are the flow and reassignment of resources between funds without the exchange of equal or almost equal value between the funds, typically referred to as a *nonexchange transaction or nonreciprocal interfund activity*. The City (1) *transfers* revenues from the fund that statutes or budget requires to collect them to the fund that the statute or budget requires to expend them from, (2) *transfers* restricted resources for the purpose of debt service from the funds collecting the receipts to the debt service fund for debt service payments, and (3) *transfers* unrestricted revenues collected in the general and street funds to finance various programs accounted for in other funds in accordance with budgetary authority.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 9 – INTERFUND BALANCES AND TRANSFERS *continued*:

Interfund transfer activity for 2020 is as follows:

		Out:		Total In
		General Fund	Non-major Governmental	
In:	General Fund	\$ -	\$ 11,390	\$ 11,390
	Street Fund	-	1,729,146	1,729,146
	Non-major Governmental	4,824,639	6,499,633	11,324,272
	Internal Service Funds	474,072	-	474,072
				13,538,880 Total in
Total Out		\$ 5,298,711	\$ 8,240,169	13,538,880 Total out
				\$ -

The City made several one-time transfers during the year ending December 31, 2020. These one-time or infrequent transfers are included in the table above:

- Transfers of \$1,364,706 from the Capital Reserve Fund to the Street Fund to cover operating deficits from reduced revenues.
- Transfer of \$2,781,166 from the General Fund to the Parks Capital Projects Fund for park related projects, including \$1,887,746 for improvements to the CenterPlace west lawn and \$795,656 to replace the CenterPlace roof.
- Transfer of \$200,000 from the Parks Capital Projects Fund to the Capital Reserve Fund to fund part of the acquisition costs for new park land.
- Transfer of \$64,072 from the General Fund to the Equipment Rental and Replacement Fund to provide for the acquisition of additional vehicles to the City fleet.

### NOTE 10 – LONG -TERM OBLIGATIONS AND LEASES:

#### A. Long-term Obligations

##### Pension Obligations

The City's net pension liability for the year ended December 31, 2020, is \$2,493,935. Refer to note 7 for additional information and activity related to the City's pension plans.

##### General Obligation Bonds

The City of Spokane Valley issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental-type activities. These General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 3/5<sup>th</sup> majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and normally financed from general revenues (i.e., councilmanic bonds).

In 2003, the City issued \$9,430,000 of councilmanic bonds to finance construction of the CenterPlace Community Center and for various street construction projects. The City expects to receive intergovernmental payments from the Spokane Public Facilities District pursuant to an inter-local agreement, dated July 2003, for \$7 million of the bonds with the remainder of the payments coming from real estate excise taxes. These bonds were defeased through a refunding bond issue in 2014.



# City of Spokane Valley

## Notes to Financial Statements

### NOTE 10 – LONG -TERM OBLIGATIONS AND LEASES continued:

In 2016 the City issued \$7,275,000 of general obligation bonds to partially finance the construction of a new City Hall. As a result of favorable interest rate at the time of bond issuance, the bonds were issued at a premium of \$671,088. These bonds are being repaid from general tax revenues.

#### Refunded Bonds

On August 27, 2014, the City of Spokane Valley issued \$7,035,000 of Limited Tax General Obligation 2014 Refunding Bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the old \$7,435,000 of refunded debt. As a result, the refunded bonds are now considered defeased, retired, and the liability has been removed subsequently from the City of Spokane Valley's governmental activities financial statements of net position. This refunding was undertaken to reduce total debt service payments over the life of the bonds and resulted in an economic gain of \$1,283,730.

General obligation and refunding bonds are currently outstanding as December 31, 2020, as follows:

Name of Issuance	Purpose	Interest Rate	Maturity	Debt Outstanding
LTGO'14 Refunding Bonds	Governmental Activities	2.00% - 4.00%	12/1/2033	\$4,550,000
LTGO'16 Bonds	Governmental Activities	2.00% - 4.00%	12/1/2045	\$6,570,000

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

Governmental - Type Activities			
	Principal	Interest	Total Requirements
2021	635,000	408,850	1,043,850
2022	675,000	389,800	1,064,800
2023	725,000	364,550	1,089,550
2024	615,000	335,550	950,550
2025	660,000	310,950	970,950
2026 - 2030	2,735,000	1,198,800	3,933,800
2031 - 2035	1,730,000	784,000	2,514,000
2036 - 2040	1,520,000	478,150	1,998,150
2041 - 2045	1,825,000	171,250	1,996,250
Totals	<u>\$11,120,000</u>	<u>\$ 4,441,900</u>	<u>\$15,561,900</u>

Long-term debt on the Statement of Net Position is presented net of any premium/discount incurred at the time of issuance. The 2014 LTGO'14 Refunding Bonds and 2016 LTGO'16 general obligation bonds were sold at a premium of \$1,278,847 and were reported at the net amount of \$1,341,656 including the underwriters discount expense. The premium will be amortized over the life of the bonds and the outstanding liability balance as of December 31, 2020, is \$955,160.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 10 – LONG-TERM OBLIGATIONS AND LEASES continued:

#### Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Balance			Balance	Amounts
Governmental-Type Activities	1/1/2020	Additions	Reductions	12/31/2020	Due within One Year
Bonds and notes payable:					
GO refunding LTGO'14 bonds	\$ 4,980,000	\$ -	\$ (430,000)	\$ 4,550,000	\$ 465,000
General obligation LTGO'16 bonds	6,735,000	-	(165,000)	6,570,000	170,000
Premium on LTGO'14 refunding bonds	435,026	-	(39,106)	395,920	39,106
Premium on LTGO'16 bonds	581,610	-	(22,370)	559,240	22,370
Other liabilities:					
Net pension plan liabilities	2,348,649	51,468	-	2,400,117	-
Compensated absences	616,793	120,534	-	737,327	18,433
<b>Governmental activities</b>					
<b>Long-term liabilities</b>	<b>\$ 15,697,078</b>	<b>\$ 172,002</b>	<b>\$ (656,476)</b>	<b>\$ 15,212,604</b>	<b>\$ 714,909</b>

	Balance			Balance	Amounts
Business-Type Activities	1/1/2020	Additions	Reductions	12/31/2020	Due within One Year
Net pension plan liabilities	92,086	1,732	-	93,818	-
Compensated absences	36,239	590	-	36,829	921
<b>Business-type activities</b>					
<b>Long-term liabilities</b>	<b>\$ 128,325</b>	<b>\$ 2,322</b>	<b>\$ -</b>	<b>\$ 130,647</b>	<b>\$ 921</b>

#### Legal Debt Margin

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the city's assessed valuation, for a total debt capacity of seven and one-half percent.

The 2019 assessed valuation of the City for the Levy year of 2020, for purposes of determining the legal debt margin is \$10,200,357,539. Under State of Washington statutes general obligation indebtedness pursuant to a vote of the electorate is limited to 2.5% of actual value of taxable property located within the City. Indebtedness without a vote of the people is limited to 1.5% of actual value subject to the limitation that total general purpose indebtedness may not exceed 2.5% of total valuation. There is a 2.5% limitation each for utility purposes and open space and park facilities purposes.

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 10 – LONG-TERM OBLIGATIONS AND LEASES continued:**

The remaining voted and non-voted GO debt capacities for General purposes of the City at December 31, 2020, are as follows:

	<u>Amount</u>
General Purposes Voted and Non-voted Debt - 2.5%	\$ 243,888,938
Utility Voted Debt - 2.5%	255,008,938
Open Space and Park Facilities Voted Debt - 2.5%	255,008,938
<b>Total Remaining Debt Capacity</b>	<b><u><u>\$753,906,815</u></u></b>

#### **B. Leases**

The City of Spokane Valley leases buildings and other equipment under noncancelable operating lease agreements. Operating leases do not give rise to property rights or lease debt obligations, and therefore the results of these agreements are not reflected in the General Long-term Obligations of government activities. Total costs for such leases were \$71,621 for the fiscal year ending December 31, 2020. The future minimum lease payments for these leases are presented as follows:

<u>Year Ending Dec. 31</u>	<u>Amount</u>
2021	\$ 59,804
2022	41,410
2023	26,211
2024	13,489
2025	4,261
<b>Total minimum future lease payments</b>	<b>\$ <u><u>145,175</u></u></b>

### **NOTE 11 – CONTINGENCIES AND LITIGATION:**

In the normal course of governmental operations, the City has claims filed against it for various losses related to tort actions for such things as wrongful acts, injuries, or damages for which a civil action can be brought, and other routine legal proceedings. At any given point in time, there is a recurring volume of tort and other claims for compensation and damages against the City, which could impact expenditures. The City's Risk Management fund provides for these claims, and insurance is available to pay a portion of damages for certain types of claims. The collective impact of these claims is not likely to have a material impact on the City's financial position.

The City participates in a number of federal-and-state assisted programs. These grants are subject to audit by the granting agencies and or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management does not believe that such disallowances, if any, will be material.

In 2018, the City was named as a defendant in a lawsuit by the parents of one or more minor children relating to a motor vehicle accident on East Cataldo Avenue near the intersection of Barker Road and I-90. Plaintiffs allege errors to the road design and/or signage. One minor was seriously injured, although none of the injuries were life-threatening, and he appears to have recovered. The parties are currently in the discovery phase of the litigation process. The claimed damages are \$15 million. Trial is currently scheduled for June, 2021. The Court denied a motion for summary judgment by the City and WSDOT. The parties are anticipated to continue settlement discussions prior to trial.

# City of Spokane Valley

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## Notes to Financial Statements

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### *NOTE 11 – CONTINGENCIES AND LITIGATION continued:*

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In September 2012, the City entered into an interlocal agreement with the Spokane County Library District (Library) for the purpose of acquiring an 8.4 acre parcel of land that would in the future be developed as a joint City park and library. In October 2012, the City then purchased the 8.4 acre parcel of land at a cost of approximately \$2.5 million and the Library gave the City \$744,047 for its proportional share of the 2.5 acres allocated to their estimated needs. At that time the City recorded the entire \$2.5 million purchase as land owned by the City and the \$744,047 received from the Library as deferred revenue with the understanding that when a joint site development plan was complete the City would recognize the \$744,047 received from the Library as revenue, transfer title for this land to the Library, and remove \$744,047 of land from its capital assets.

In January 2014, it was determined that the Library required an additional 0.32 acres of land, bringing their share of the original 8.4 acre purchase up to 2.82 acres. The Library paid the City an additional \$95,238 for the proportional share of the .32 acres relative to the purchase price of the entire 8.4 acre purchase. This brought the Library's share of the land purchase up to a total of 2.82 acres at a cost of \$839,285. At that point the City declared this 2.82 acres surplus to its needs, transferred title for this land to the Spokane County Library District, recognized \$839,285 as revenue and removed the land from capital assets. The interlocal agreement also provided that if the Library had not within five years following the acquisition of the land (in October 2017), secured voter approval of a construction bond for the library building and ancillary improvements, that the land would be re-conveyed back to the City at the same price paid by the Library (\$839,285). An amendment was made to the interlocal agreement in October 2017 which extended the agreement through October 2022 with the option to extend through October 2024. Through this amendment, the City also agreed to contribute \$1.3 million, of which the \$839,285 would be part, in frontage and/or joint site improvements on the Library site. In March, 2021, the City and Library further amended the agreement extend the terms through 2024 among other changes not pertinent to this disclosure.

In September 2017, the City moved into its newly constructed City Hall. In 2018, the City began noticing some cracks and other evidence of possible settlement of a small portion of the foundation, isolated around the curved front wall of the Council Chambers, and potentially in the front corner of the eastside lobby. The City hired outside legal counsel, Shane McFetridge of Randall Danskin, who filed a claim on behalf of the City against the general contractor, Meridian Construction. Following discussions and additional analysis, the City filed suit against Meridian Construction, Architects West, Eight31 Consulting, and Allwest Testing relating to various construction defects. In addition, the City hired a contractor to install micropiles under that part of the foundation that was settling, which subsequent surveying has determined to have stopped the foundation from sinking further. The City is in the process of determining the cost for additional repairs to fix any damage caused by the settlement to the building. It is not clear at this point what those costs are, and the parties are actively working together to determine that.

In 2020, the City was named as a defendant in a lawsuit by a tree removal company alleging various constitutional violations based on certain code enforcement actions taken by the City against the company. The City's code enforcement decisions were upheld in an administrative appeal to the Hearing Examiner, which was then appealed pursuant to the chapter 36.70C RCW (the Land Use Petition Act ("LUPA")). The LUPA petition was consolidated with the plaintiff's constitutional lawsuit. The plaintiff is seeking compensatory damages and punitive damages under 42 U.S.C. § 1983. Although plaintiff has not identified the total amount sought, they have identified damages between \$75,000 to \$135,000 for lost profits, pain and suffering, and damage to business reputation through initial discovery. The LUPA petition and constitutional claims are currently pending in Superior Court.

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 12 – RECEIVABLE AND PAYABLE BALANCES:

A) **Receivables:** Receivables at December 31, 2020, were as follows:

Governmental Type Activities	Accounts receivable (net)	Taxes receivable	Grants receivable	Prepays & Other receivables	Deferred outflows	Total receivables
General fund	\$ 1,646,705	\$ 6,820,336	\$ 120,147	\$ 91,928	\$ -	8,679,116
Street fund	129,430	356,502	-	3,640	-	489,572
Other governmental funds	183,244	608,711	1,052,721	3,134	-	1,847,810
<i>Reconciliation of balances in the fund financial statements to government-wide financial statements</i>	-	-	-	145	935,422	935,567
<b>Total Governmental type activities</b>	<b>\$ 1,959,379</b>	<b>\$ 7,785,549</b>	<b>\$ 1,172,868</b>	<b>\$ 98,847</b>	<b>\$ 935,422</b>	<b>\$ 11,952,065</b>
Business Type Activities	Accounts receivable (net)	Taxes receivable	Grants receivable	Prepays & Other receivables	Deferred outflows	Total receivables
Stormwater management fund	\$ -	\$ 173,529	\$ -	21,323	37,780	\$ 232,632
Aquifer protection area fund	-	-	27,438	217	-	27,655
<b>Total Business type activities</b>	<b>\$ -</b>	<b>\$ 173,529</b>	<b>\$ 27,438</b>	<b>\$ 21,540</b>	<b>\$ 37,780</b>	<b>\$ 260,287</b>

B) **Payables:** Payables at December 31, 2020, were as follows:

Governmental Type Activities	Accounts payables	Salaries & benefits payable	Deposits payables	Other liabilities	Unearned Revenues	Deferred inflows	Total Payables
General fund	\$ 996,078	\$ 581,130	\$ 3,153,914	\$ -	\$ 3,633,602	\$ -	\$ 8,364,724
Street fund	464,212	77,291	58,935	-	142,964	-	743,402
Other governmental funds	1,680,616	42,930	92,113	-	766,906	-	2,582,565
<i>Reconciliation of balances in the fund financial statements to government-wide financial statements</i>	2,018	119	-	34,071	(4,543,472)	1,009,793	(3,396,641)
<b>Total Governmental type activities</b>	<b>\$3,142,924</b>	<b>\$ 701,470</b>	<b>\$ 3,304,962</b>	<b>\$ 34,071</b>	<b>\$ 0</b>	<b>\$ 1,009,793</b>	<b>\$ 8,294,050</b>
Business Type Activities	Accounts payables	Salaries & benefits payable	Deposits payables	Other liabilities	Unearned Revenues	Deferred inflows	Total
Stormwater management fund	\$ 160,922	\$ 25,987	\$ 82,194	\$ -	\$ 78,902	\$ 40,936	\$ 388,941
Aquifer protection area fund	232,916	7,742	903	-	-	-	241,561
<b>Total Business type activities</b>	<b>\$ 393,838</b>	<b>\$ 33,729</b>	<b>\$ 83,097</b>	<b>\$ -</b>	<b>\$ 78,902</b>	<b>\$ 40,936</b>	<b>\$ 630,502</b>

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 12 – RECEIVABLE AND PAYABLE BALANCES *continued*:

**C) Estimates related to Receivables:** The City contracts with Spokane County for various services, including animal control, district court, emergency management, detention services, pretrial, prosecution, public defense, and law enforcement. Payments made on these contracts throughout the year are based upon costs incurred in the prior year and reconciled to actual costs incurred during the current year through a settle and adjust process. Because the reconciliation of the underlying supporting data between City and County staff is a time consuming process, an estimate is made at year end for the settle and adjust amounts expected for each service contract. The estimate is then recorded as either a liability or receivable, depending on whether the City estimates that additional funds will be owed to the County or that the City will receive a refund for overpayment, along with a corresponding increase or decrease in expenditure.

Liability and receivable balances related to settle and adjust estimates as of December 31, 2020, are as follows:

Contract Year	(Liability) or Receivable Balance 1/1/2020	New Estimate Made	Amount Settled in 2020	(Liability) or Receivable Balance 12/31/2020
2015	(53,517)	-	-	(53,517)
2016	(24,587)	-	-	(24,587)
2017	61,734	-	-	61,734
2018	(713,356)	-	(118,665)	(832,021)
2019	192,394	-	93,314	285,708
2020	-	734,399	-	734,399

For 2020, the City estimated that it would owe a net receivable from the County on the contracted services for a total recorded receivable of \$734,399, which was adjusted against the 2020 contract expenditures.

### NOTE 13 – HEALTH AND WELFARE & OTHER POST EMPLOYMENT BENEFITS (OPEB):

#### A. Health & Welfare - Association of Washington Cities Employee Benefit Trust (“Trust”)

The City of Spokane Valley is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

## Notes to Financial Statements

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### ***NOTE 13 – HEALTH AND WELFARE & OTHER POST EMPLOYMENT BENEFITS (OPEB) continued:***

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The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.



## Notes to Financial Statements

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### ***NOTE 13 – HEALTH AND WELFARE & OTHER POST EMPLOYMENT BENEFITS (OPEB) continued:***

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The AWC Trust HCP can be contacted at the following address:

AWC Employee Benefit Trust  
1076 Franklin Street SE  
Olympia, WA 98501  
360-753-4137  
wacities.org/Trust

#### **OPEB Plan Description**

Currently, eligible employees retiring from an AWC Trust member employer have several retiree medical plans from which to choose. The AWC Trust works directly with the retired employee, and no monies pass through the former employer. Additionally, the AWC Trust pools the health care costs of the retiree medical programs and rates the programs accordingly. For 2017, the AWC Trust Board of Trustees committed to a retiree medical plan subsidy of 25% for Regence/Asuris retiree plans, which was drawn from the accumulated medical reserve fund; however, this subsidy was eliminated as of January 1, 2018. (This subsidy was not included in the Regence retiree Medicare Advantage Plan, which is fully insured by Regence BlueShield with premium rates determined by the Centers of Medicare/Medicaid Services.) The medical reserves have accumulated over the years from excess premium contributions of employers, active employees and retirees in favorable claims years. The AWC Trust Board of Trustees can change their retiree medical plan subsidy policy in any given year.

The AWC Trust's retiree medical plans are available to former employees of AWC Trust member jurisdictions only. Additionally, the retiring employee must meet the retirement criteria established by the Board of Trustees, including age and years of service requirement of their pension program.

Based on these facts, the AWC Trust's contracted legal counsel (Perkins Coie LLP) and actuary (Aon-Hewitt), in their professional capacities, agreed that the AWC Trust qualifies as a Cost-Sharing Multiple-Employer Plan under GASB 74: A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards and costs, including benefit costs, are shared and are not attributed individually to the employers.

All employees of the City, which numbered 95.25 FTEs in 2020, are covered under the benefit terms of the plan; however, the City does not have any inactive employees participating in the plan as of December 31, 2020. All premiums under the plan are paid by the inactive employees participating in the plan, and therefore, the City has no contribution requirements. As the City has no contribution requirements to the plan and the retiree medical plan subsidy was eliminated as of January 1, 2018, the City has no OPEB liability.

Participating employers are not contractually required to contribute to the Trust. The retirees who elect coverage through the Trust pay 100 percent of the premium. As such, the City of Spokane Valley did not have any contributions to the Trust for the year ended December 31, 2020.

### ***NOTE 14 – COVID-19 PANDEMIC:***

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In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.



# City of Spokane Valley

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## Notes to Financial Statements

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### ***NOTE 14 – COVID – 19 PANDEMIC continued:***

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The City issued a proclamation of emergency/disaster relating the COVID-19 Pandemic on March 16, 2020. On March 17, 2020, City Hall was closed to the public except by appointment, and the City began holding virtual Council meetings after the “Stay Home, Stay Healthy” order. Beginning the week of March 23, 2020, City staff implemented work from home schedules and these schedules have continued in some capacity into 2021.

The pandemic has effected the economy in Spokane Valley, and the City has noted some decreases in revenues in certain areas, such as gambling taxes, recreation fees, utility taxes, and motor vehicle fuel taxes. However, the impacts on sales taxes and property taxes have been minimal through 2020. The City received an allocation of \$4.3 million from the Coronavirus Relief Funds through the CARES Act. These funds were used to pay for protective equipment and cleaning supplies for City facilities as well as partnering with community organizations to run programs providing small business grants, food assistance, utility assistance, and rental/mortgage assistance to citizens and business owners.

The length of time these measures will continue to be in place and the full extent of the financial impact on the City of Spokane Valley is unknown at this time.

# City of Spokane Valley, Washington

## Comprehensive Annual Financial Report - Fiscal Year 2020

### *Schedule of Revenues, Expenditures and Changes in Fund Balances*

#### *Budget to Actual*

#### *General Fund, Major Fund*

*For the Year Ended December 31, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Approved Original Budget	Final Amended Budget		
<b>Revenues</b>				
Taxes	\$ 40,664,200	\$ 37,370,400	\$ 40,821,243	\$ 3,450,843
Licenses and permits	3,323,800	3,323,400	4,584,892	1,261,492
Intergovernmental revenues	1,738,200	6,115,600	6,746,645	631,045
Charges for services	643,400	114,678	143,674	28,996
Fines and forfeitures	549,700	549,700	417,063	(132,637)
Investment interest	700,000	700,000	254,636	(445,364)
Miscellaneous	702,500	1,294,922	118,656	(1,176,266)
<i>Total Revenues</i>	<u>48,321,800</u>	<u>49,468,700</u>	<u>53,086,809</u>	<u>3,618,109</u>
<b>Expenditures</b>				
Current:				
General government	5,597,307	10,488,007	9,644,876	(843,131)
Public safety	26,765,225	27,039,714	25,640,005	(1,399,709)
Transportation	1,295,997	1,279,347	990,248	(289,099)
Economic environment	1,312,829	1,312,829	968,060	(344,769)
Community development	3,109,848	3,237,848	3,023,987	(213,861)
Culture and recreation	3,106,307	2,491,307	2,271,218	(220,089)
Debt service:				
Interest	600	600	-	(600)
Capital Outlay:				
Capital expenditures	272,000	435,303	242,801	(192,502)
<i>Total Expenditures</i>	<u>41,460,113</u>	<u>46,284,955</u>	<u>42,781,195</u>	<u>(3,503,760)</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>6,861,687</u>	<u>3,183,745</u>	<u>10,305,614</u>	<u>7,121,869</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	30,000	30,000	11,390	(18,610)
Transfers (out)	(3,520,073)	(5,778,152)	(5,298,711)	(479,441)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,490,073)</u>	<u>(5,748,152)</u>	<u>(5,287,321)</u>	<u>(460,831)</u>
<i>Net Change in Fund Balances (deficit)</i>	<u>3,371,614</u>	<u>(2,564,407)</u>	<u>5,018,293</u>	<u>7,582,700</u>
<i>Fund Balances Beginning of Year:</i>	<u>43,227,218</u>	<u>43,227,218</u>	<u>43,227,218</u>	<u>-</u>
<b><i>Fund Balances End of Year:</i></b>	<b><u>\$ 46,598,832</u></b>	<b><u>\$ 40,662,811</u></b>	<b><u>\$ 48,245,511</u></b>	<b><u>\$ 7,582,700</u></b>

# City of Spokane Valley, Washington

## Comprehensive Annual Financial Report - Fiscal Year 2020

### *Schedule of Revenues, Expenditures and Changes in Fund Balances*

#### *Budget and Actual*

#### *Street Fund, Major Fund*

*For the Year Ended December 31, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Approved Original Budget	Final Amended Budget		
<b>Revenues</b>				
Taxes	\$ 1,521,000	\$ 1,521,000	\$ 1,388,026	\$ (132,974)
Intergovernmental revenues	2,178,200	1,828,000	1,869,710	41,710
Charges for services	70,000	70,000	93,033	23,033
Investment interest	17,000	17,000	829	(16,171)
Miscellaneous	10,000	10,000	55,441	45,441
<i>Total Revenues</i>	<u>3,796,200</u>	<u>3,446,000</u>	<u>3,407,039</u>	<u>(38,961)</u>
<b>Expenditures</b>				
Current:				
Transportation	5,090,906	5,090,906	4,852,263	(238,643)
Capital Outlay:				
Capital expenditures	70,000	70,000	80,888	10,888
<i>Total Expenditures</i>	<u>5,160,906</u>	<u>5,160,906</u>	<u>4,933,151</u>	<u>(227,755)</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(1,364,706)</u>	<u>(1,714,906)</u>	<u>(1,526,112)</u>	<u>188,794</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,364,706	1,714,906	1,729,146	14,240
<i>Total Other Financing Sources (Uses)</i>	<u>1,364,706</u>	<u>1,714,906</u>	<u>1,729,146</u>	<u>14,240</u>
<i>Net Change in Fund Balances (deficit)</i>	-	-	203,034	203,034
<i>Fund Balances Beginning of Year</i>	<u>556,265</u>	<u>556,265</u>	<u>556,265</u>	<u>-</u>
<i>Fund Balances End of Year (Deficit)</i>	<u>\$ 556,265</u>	<u>\$ 556,265</u>	<u>\$ 759,299</u>	<u>\$ 203,034</u>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

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<p style="text-align: center;"><i>City of Spokane Valley</i>  <i>Schedule of Proportionate Share of Net Pension Liability</i>  <b>PERS 1</b>  <i>As of June 30, 2020</i>  <i>Last 10 Fiscal Years <sup>1</sup></i></p>						
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Employer's proportion of the net pension liability (asset)	0.052995%	0.053037%	0.054158%	0.042511%	0.047856%	0.048075%
Employer's proportionate share of the net pension liability	\$ 2,772,131	\$ 2,848,337	\$ 2,569,839	\$ 1,898,556	\$ 1,840,233	\$ 1,697,307
<b>Total</b>	<b>\$ 2,772,131</b>	<b>\$ 2,848,337</b>	<b>\$ 2,569,839</b>	<b>\$ 1,898,556</b>	<b>\$ 1,840,233</b>	<b>\$ 1,697,307</b>
Covered payroll <sup>2</sup>	\$ 6,215,354	\$ 6,623,847	\$ 6,433,200	\$ 6,333,506	\$ 6,902,221	\$ 7,542,281
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	44.60%	43.00%	39.95%	29.98%	26.66%	22.50%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	57.03%	61.24%	63.22%	67.12%	68.64%
<i>Provided from note 2 of DRS Participating Employer Financial Information report (PEFI) for the % of each plan.</i>						

<sup>1</sup> Until a full 10-year trend is compiled, only information for those years available is presented.

<sup>2</sup> Covered payroll reported changed from previous years due to changing reporting period to the Washington State Department of Retirement Systems' Measurement Date. Previous years were reported based on the City's fiscal year.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

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<p align="center"><i>City of Spokane Valley</i>  <i>Schedule of Proportionate Share of Net Pension Liability</i>  <i>PERS 2/3</i>  <i>As of June 30, 2020</i>  <i>Last 10 Fiscal Years <sup>1</sup></i></p>						
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Employer's proportion of the net pension liability (asset)	0.068456%	0.067862%	0.069662%	0.054837%	0.061822%	0.062288%
Employer's proportionate share of the net pension liability	\$ 2,445,972	\$ 3,416,798	\$ 2,420,422	\$ 936,293	\$ 600,502	\$ 796,628
Total	\$ 2,445,972	\$ 3,416,798	\$ 2,420,422	\$ 936,293	\$ 600,502	\$ 796,628
Covered payroll <sup>2</sup>	\$ 6,215,354	\$ 6,623,847	\$ 6,433,200	\$ 6,333,506	\$ 6,902,221	\$ 7,542,281
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	39.35%	51.58%	37.62%	14.78%	8.70%	10.56%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%
Provided from note 2 of DRS Participating Employer Financial Information report (PEFI) for the % of each plan.						

<sup>1</sup> Until a full 10-year trend is compiled, only information for those years available is presented.

<sup>2</sup> Covered payroll reported changed from previous years due to changing reporting period to the Washington State Department of Retirement Systems' Measurement Date. Previous years were reported based on the City's fiscal year.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

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<p style="text-align: center;"><i>City of Spokane Valley</i>  <i>Schedule of Employer Contributions</i>  <b>PERS 1</b>  <i>For the Year Ended December 31, 2020</i>  <i>Last 10 Fiscal Years <sup>1</sup></i></p>						
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Statutorily or contractually required contributions	\$ 274,474	\$ 305,736	\$ 300,891	\$ 325,842	\$ 347,991	\$ 355,541
Contributions in relation to the statutorily or contractually required contributions	\$ (274,474)	\$ (305,736)	\$ (300,891)	\$ (325,842)	\$ (347,991)	\$ (355,541)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,520,390	\$ 6,628,805	\$ 6,142,722	\$ 6,824,257	\$ 7,173,062	\$ 7,656,116
Contributions as a percentage of covered employee payroll	4.21%	4.61%	4.90%	4.77%	4.85%	4.64%
<p><i>City of Spokane Valley does not currently have active PERS 1 pension plan participants. As such, PERS 1 contributions represent the Unfunded Actuarial Liability (UAA) as calculated by The Department of Retirement Systems.</i></p>						

<sup>1</sup> Until a full 10-year trend is compiled, only information for those years available is presented.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2020**

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<p style="text-align: center;"><i>City of Spokane Valley</i>  <i>Schedule of Employer Contributions</i>  <i>PERS 2/3</i>  <i>For the Year Ended December 31, 2020</i>  <i>Last 10 Fiscal Years <sup>1</sup></i></p>						
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Statutorily or contractually required contributions	\$ 352,459	\$ 399,315	\$ 420,895	\$ 482,606	\$ 543,611	\$ 586,968
Contributions in relation to the statutorily or contractually required contributions	\$ (352,459)	\$ (399,315)	\$ (420,895)	\$ (482,606)	\$ (543,611)	\$ (586,968)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,520,390	\$ 6,628,805	\$ 6,142,722	\$ 6,824,257	\$ 7,173,062	\$ 7,656,116
Contributions as a percentage of covered employee payroll	5.41%	6.02%	6.85%	7.07%	7.58%	7.67%

<sup>1</sup> Until a full 10-year trend is compiled, only information for those years available is presented.

**City of Spokane Valley**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Expenditures							
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Spokane County Housing and Community Development Department)	Community Development Block Grants/Entitlement Grants	14.218	CDBG 19- 13/B19UC5300 04	294,513	-	294,513	-	1,2,3
	Community Development Block Grants/Entitlement Grants	14.218	CDBG 19- 14/B19UC5300 04	69,229	-	69,229	-	1,2,3
Total CDBG - Entitlement Grants Cluster:				363,742	-	363,742	-	
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX- 1305	-	74,875	74,875	70,521	1,2,3
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX- 0494	-	25,954	25,954	-	1,2,3
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	CM-9932(070)	52,530	-	52,530	-	1,2,3

The accompanying notes are an integral part of this schedule.



**City of Spokane Valley**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	CM-4103(011)	69,869	-	69,869	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	CM-4103(012)	576,253	-	576,253	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	SRTS-3902 (008)	7,652	-	7,652	1,2,3, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	STPUL-4123 (006)	184,113	-	184,113	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (520)	114,526	-	114,526	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (521)	51,853	-	51,853	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	CM-4060(001)	49,839	-	49,839	1,2,3

*The accompanying notes are an integral part of this schedule.*

**City of Spokane Valley**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	BHM-4103(014)	15,780	-	15,780	-	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	STPUL-9932 (068)	3,927	-	3,927	-	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	TAP-1223(006)	20,103	-	20,103	-	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	CM-1223(005)	1,174,458	-	1,174,458	-	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	REP-HLP- TIGERIX-4123 (005)	370,129	-	370,129	-	1,2,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	STPUL-4093 (001)	14,030	-	14,030	-	1,2,3, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	Highway Planning and Construction	20.205	STPUL-0027 (019)	811,273	-	811,273	-	1,2,3

*The accompanying notes are an integral part of this schedule.*

**City of Spokane Valley**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
	<b>Total Highway Planning and Construction Cluster:</b>			<b>3,516,335</b>	<b>-</b>	<b>3,516,335</b>	<b>-</b>	
FEDERAL RAILROAD ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Consolidated Rail Infrastructure and Safety Improvements	20.325	69A365205013 40CRSWA	-	150,886	150,886	-	1,2,3
OFFICE OF THE SECRETARY, TRANSPORTATION, DEPARTMENT OF (via WA Dept of Transportation)	National Infrastructure Investments	20.933	REP-HLP- TIGERIX-4123 (005)	2,024,101	-	2,024,101	-	1,2,3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-329	4,352,400	-	4,352,400	4,076,004	1,2,3
<b>Total Federal Awards Expended:</b>				<b>10,256,578</b>	<b>251,715</b>	<b>10,508,293</b>	<b>4,146,525</b>	

The accompanying notes are an integral part of this schedule.

## City of Spokane Valley

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Notes 1, 2 and 3 are required for all entities. Disclose other notes only if applicable to the government's circumstances.

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the City of Spokane Valley financial statements. The City of Spokane Valley uses the accrual basis of accounting for all funds except for the governmental funds which use the modified accrual basis of accounting.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The City does not record indirect costs and has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4 – Closed Project Expenditures

A portion of reported expenditures for these projects are related to multiple years prior to 2020. Final grant reimbursements occurred following the end of the 2020 fiscal year. However, the amount of federal funds received in the final reimbursement combined with the funds received during 2020 exceed the recorded expenditures for the 2020 fiscal year.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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