Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Spokane Public Facilities District

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

Published August 11, 2022

Report No. 1030288

Office of the Washington State Auditor
Pat McCarthy

August 11, 2022

Board of Directors
Spokane Public Facilities District
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Spokane Public Facilities District's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Spokane Public Facilities District
January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of the Spokane Public Facilities District 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 business-type activities and the aggregate discretely presented component units and 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 District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified 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 District's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
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 District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Spokane Public Facilities District
January 1, 2020 through December 31, 2020

2020-001 The District had inadequate internal controls for ensuring compliance with federal requirements for allowable activities and costs.

CFDA Number and Title:	21.019 – COVID-19 – Coronavirus Relief Fund
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Spokane County
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	$0

Background

The purpose of the Coronavirus Relief Fund (CRF) program is to provide payments to state, territorial, tribal and certain eligible local governments to cover necessary expenditures incurred because of the COVID-19 pandemic. In December 2020, the District received a CRF subaward from Spokane County and spent $1,485,053 of these funds. The District used program funds to pay for marketing of the District's new sportsplex stadium, touchless point-of-sale equipment and upgraded HVAC systems at the Spokane Veterans Memorial Arena, personal protective equipment, social distancing signage, advertising of rescheduled events, and a reopening marketing campaign.

Federal regulations require federal award recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of program controls.

For the CRF program, the costs that recipients submit for reimbursement must have been necessary for responding to the COVID-19 pandemic and not previously included in budgets prior to March 27, 2020. All costs that recipients charge to the CRF program must comply with program requirements and be supported by proper documentation demonstrating costs are specifically related to COVID-19 activities.

Description of Condition

The District's subrecipient contract specified certain uses of the program funds, including a reopening marketing campaign. As part of this campaign, the District charged expenditures for promotional hosting items, including gifts, food and alcohol. Although the District had controls for reviewing and approving program expenditures, the controls were ineffective for ensuring all expenditures charged to the program were allowable.

Additionally, the District's budget approved prior to March 27, 2020, did not provide sufficient detail to determine whether or not the promotional hosting expenditures charged to the program were previously budgeted or were substantially different from budgeted expenditures.

We consider this deficiency in internal controls to be a significant deficiency.

This issue was not reported as a finding in the prior audit.

Cause of Condition

The District has not historically received federal funding and is inexperienced with requirements of federal awards. As such, District employees relied on communication with their pass-through agency and the subrecipient contract to determine whether expenditures charged to the CRF program were allowable. Promotional hosting expenditures are typically allowed for public facilities districts, so District employees thought they could use these federal funds for similar expenditures. However, the District did not review or consider the specific requirements of the CRF program to determine if these costs were allowable.

Additionally, employees were not aware the supporting documentation the District maintained for promotional hosting expenditures did not include sufficient detail showing these expenditures were not previously budgeted for or were substantially different from those budgeted.

Effect of Condition and Questioned Costs

Without adequate controls and sufficient documentation, the District cannot assure federal grantors that promotional hosting costs charged to the program were allowable and comply with program requirements.

Using a non-statistical sample, we found eight promotional hosting expenditures, totaling $13,027, which were unallowable payments per the program's requirements. Based on these results of our testing, we estimate total overpayments of $103,496.

Recommendation

We recommend the District establish and follow internal controls to monitor its federal program expenditures to ensure it does not charge unallowable costs to federal awards and keeps documentation demonstrating it did not previously budget for costs charged to the award. Additionally, the District should provide training to employees responsible for managing federal awards.

District's Response

We are responding regarding the audit findings for 2020, 21.019 COVID-19 Coronavirus Relief Fund. We disagree with the audit findings based on the following:

The Promotional Hosting Items found in the Finding are substantially different from previously budgeted items. In the past the arena, individually, sent promotional items to a handful of agents, but it was done to garner attention. Think of it like the smallest kid in the back of a full classroom waiving their hand to be seen. The items had zero affiliation to the venue or Spokane and was just sent to hopefully start a conversation with an agent or promoter. Examples include Arena branded items like barbeque sauce for the summer, wine for Valentine's Day, and apples with caramel dip in the fall. Due to COVID, ***ALL the SPFD buildings*** *were forced to add infrastructure that we never previously had, such as the upgraded HVAC system, digital ticketing, turning all our venues into cashless concessions, digital conference equipment, and added sanitation requirements. Both Sales Directors used these promotional boxes to get this information delivered throughout the nation to all our major contacts responsible for bringing large acts, artists, and conventions back to Spokane to stimulate and generate an economic impact. These major contacts include Agents, Music Managers, Promoters, Third Party Concert Bookers, Third Party Meeting Planners, and Conference & Convention Meeting Planners. This was the* ***first ever cohesive promotion*** *that the SPFD has ever created that captured* ***all our buildings*** *and all our major clients at one time. Every building has promoted itself separately until this moment due to COVID.*

*The packages were created to catch the recipients' attention with all the **LOCAL** gifts that were included in an advent calendar counting down to 2021 as we were all hoping and planning to reopen earlier in 2021. The packages included a flyer with some quick information on the new infrastructure that we put into the building (specific info on the building/s which the client books) and also a QR Code redirecting them back to our Safe & Sound reopening website (www.safeandsoundspokane.com). The site also highlights new policies in place to keep attendees safe while in all our buildings. The gifts did include alcohol as our business policy allows us to spend promotional hosting dollars on alcohol, and that the CARES Act policy for alcohol specifically states to follow our own business policies. As a Public Facilities District, this is legal for us to do just as it is for a Port Authority.*

This promotion was directly centered on reopening our buildings and the safety measures we put in place to be able to reopen in the middle of a pandemic. The promotion worked as we were able to book a couple conferences that didn't have homes due to the pandemic, reengaged conversations with agents and started new conversations with agents that had been moved around due to layoffs, thus bringing entertainment and convention business back to Spokane.

Auditor's Remarks

We agree that many of the expenditures listed in the District's response were necessary due to the COVID pandemic, and therefore we did not characterize them as unallowable. We reaffirm our finding and refer the District to the Description of Condition, which details concerns over promotional hosting expenditures and lack of budget detail to support the allowability of costs. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 42 *U.S. Code of Federal Regulations* (CFR) Part 801, Coronavirus relief fund, establishes allowable costs of the program.

2 CFR Part 200, Subpart E, cost principles do not apply to the Coronavirus Relief Fund. Therefore, auditors refer to guidance and FAQs from the U.S. Department of the Treasury, as the criteria when testing the allowability of costs under the Fund. Guidance and FAQs from the U.S. Department of the Treasury can be found at https://www.commerce.wa.gov/serving-communities/local-government/covid-resiliency-grants/. These documents speak to the grantors' expectation that local governments obtain documentation which supports how businesses met eligibility criteria.

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*

Spokane Public Facilities District
January 1, 2020 through December 31, 2020

Board of Directors
Spokane Public Facilities District
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units and remaining fund information of the Spokane Public Facilities District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 3, 2022.

As discussed in Note 11 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 11.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements are free from material misstatement, we performed tests of the District'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 District'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 District'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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

August 3, 2022

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

Spokane Public Facilities District
January 1, 2020 through December 31, 2020

Board of Directors
Spokane Public Facilities District
Spokane, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Spokane Public Facilities District, 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 District's major federal programs for the year ended December 31, 2020. The District'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 District'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 District'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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District 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 District'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 District'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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 that we consider to be significant deficiencies.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

August 3, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Spokane Public Facilities District
January 1, 2020 through December 31, 2020

Board of Directors
Spokane Public Facilities District
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units and remaining fund information of the Spokane Public Facilities District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 19.

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 District'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 District'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 business-type activities and the aggregate discretely presented component units and remaining fund information of the Spokane Public Facilities District, 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 11 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 11. 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 19 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 an opinion on the financial statements that collectively comprise the District'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 August 3, 2022 on our consideration of the District'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 District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

August 3, 2022

FINANCIAL SECTION

Spokane Public Facilities District
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 Revenues, Expenses and Changes in Fund Net Position – 2020
Statement of Cash Flows – 2020
Statement of Fiduciary Net Position – 2020
Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2020
Schedule of Proportionate Share of the Net Pension Liability – SERS – 2020
Schedule of Employer Contributions – PERS 1, PERS 2/3, SERS – 2020
Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

The following discussion and analysis provides a narrative overview and analysis of the Spokane Public Facilities District's financial activities for the fiscal year ended December 31, 2020. The District owns and operates the Spokane Veterans Memorial Arena, the First Interstate Center for the Arts and the Spokane Convention Center. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows of resources, of the Spokane Public Facilities District exceeded its liabilities plus deferred inflows of resources at December 31, 2020 by $55 million.
- Substantial operating and hotel/motel tax revenue loss due to COVID-19 pandemic shutdown.
- Continued construction on the Sportsplex project, now named The Podium.
- Total long-term debt at December 31, 2020 was $214 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction and an overview to Spokane Public Facilities District's basic financial statements. This information will assist users in interpreting the basic statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting. This report also contains required supplementary information in addition to the basic financial statements themselves.

The Spokane Public Facilities District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. While the District utilizes several funds in its day-to-day operations (operating, tax revenue, City tax revenue, debt service, debt service reserve, county loan reserve, construction, project, facilities maintenance, operating reserves and an administration fund), all are combined for financial statement reporting purposes and are reported as a single proprietary fund. Proprietary funds are used to report activities where fees and charges are expected to cover the costs of doing business.

The **Statement of Net Position** presents information on all of the District's assets, deferred inflows/outflows of resources and liabilities, with the difference between the three reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

The **Statement of Revenues, Expenses, and Changes in Fund Net Position** present information showing how the District's net position changed during the fiscal year. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The **Statement of Cash Flows** as the name implies, is concerned solely with the flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into three sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities.

Net Position Analysis

As of December 31, 2020, the District reported net position of $55 million. Of the $55 million, $47 million of net position is accounted for by investments in capital assets, net of related debt and $1 million is restricted for debt service. This leaves $7 million as unrestricted. Current assets decreased in 2020 due to COVID-19 shutdown revenue loss. Current restricted assets decreased and capital assets and current liabilities increased due to continued construction of the Sportsplex project.

	2020	2019	% Change
ASSETS			
Current assets	$ 37,206,404	$ 41,517,501	-10.38%
Current restricted assets	24,828,649	47,097,774	-47.28%
Capital assets	208,369,122	182,807,942	13.98%
Total assets	270,404,175	271,423,217	-0.38%
DEFERRED OUTFLOWS	7,944,951	8,620,520	-7.84%
LIABILITIES			
Current liabilities	9,615,365	5,316,064	80.87%
Long term liabilities	213,604,711	219,973,644	-2.90%
Total liabilities	223,220,075	225,289,708	-0.92%
DEFERRED INFLOWS	476,201	716,463	-33.53%
NET POSITION			
Net investment in capital assets	46,658,363	38,170,495	22.24%
Restricted	941,069	1,133,659	-16.99%
Unrestricted	7,053,419	14,733,411	-52.13%
Total net position	$ 54,652,851	$ 54,037,565	1.14%

Revenue and Expense Analysis

	2020	2019	% Change
OPERATING			
Operating revenue	$ 3,608,614	$ 13,045,227	-72.34%
Operating expenses	17,737,778	24,987,253	-29.01%
Operating income (loss)	(14,129,163)	(11,942,026)	18.31%
NONOPERATING REVENUES (EXPENSES)			
Tax revenue	18,129,455	19,820,654	-8.53%
Intergovernmental Revenue	3,673,642	5,573,890	-34.09%
Interest revenue	1,303,330	884,551	47.34%
Interest on long-term debt and DS costs	(8,089,578)	(7,556,239)	7.06%
Total nonoperating revenue (expense)	15,016,850	18,722,856	-19.79%
INCOME BEFORE CONTRIBUTED CAPITAL	887,687	6,780,830	-86.91%
Contributed Capital/Capital Grant	1,174,000	5,000,000	-76.52%
CHANGE IN NET POSITION	2,061,687	11,780,830	-82.50%
Total net position - beginning	54,037,565	41,311,882	30.80%
Prior period adjustment	(1,446,401)	944,853	-253.08%
TOTAL NET POSITION - ENDING	$ 54,652,851	$ 54,037,565	1.14%

Beginning in 2020, hotel/motel and admission taxes transferred to the District from the City of Spokane per interlocal agreements, previously reported as operating revenue, are now being reported as intergovernmental non-operating revenue per generally accepted accounting principles. 2019 in the above chart has been updated to be comparable.

Due to the COVID-19 event shutdown, and the above mentioned transfer of revenues, total operating expenses for the year ran 492% of operating income, resulting in an operating loss of $14.1 million. After adding non-operating revenues and expenses of $14.7 million, the change in net position during the year is $600,000. Though hotel/motel tax revenue dropped substantially, sales and use tax revenue remained steady with 2019 levels.

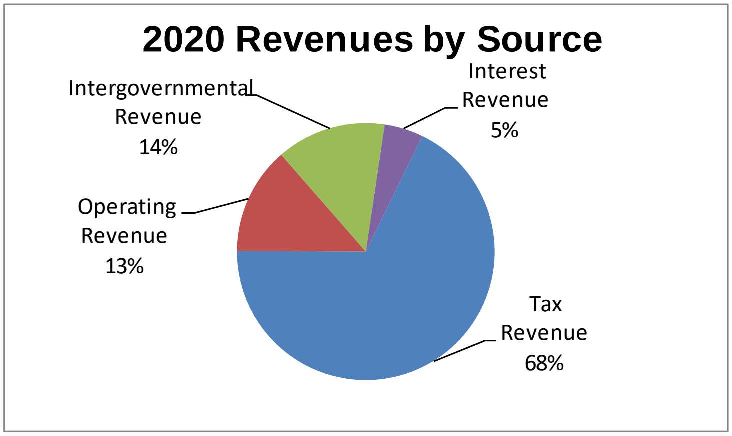
Operating expenses include $2 million (in Services and Charges and Supplies) of renewal and replacement and other non-capitalized projects. 2020 projects include major mechanical and ice plant system repairs at the Arena, touchless doors and new escalator handrails at the Convention Center, and the fly rail system replacement at the First Interstate Center for the Arts. All buildings received new touchless point of sale concession systems and touchless guest access systems. The majority of these projects were reimbursed with CARES Act grant funds from Spokane County.

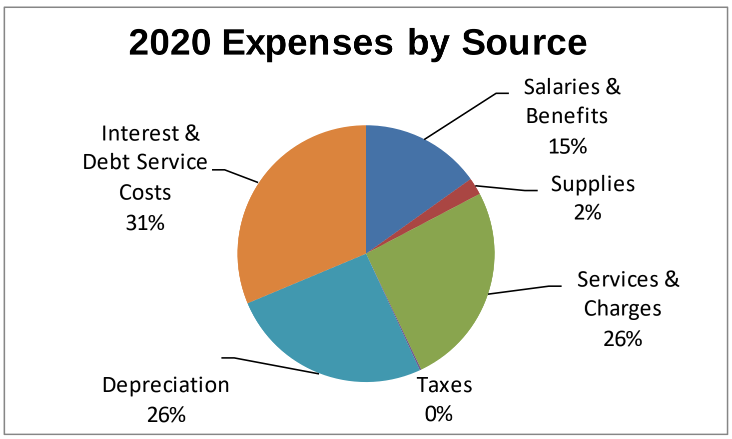
If the non-cash depreciation charge and the renewal and replacement expenses were ignored, and City admission taxes and hotel/motel taxes added back in as they are internally reported as operating revenue, net operating loss for the year would have been $3.3 million. Historically, the combined operations are profitable.

The District was awarded $1.2m in grant funds from the Washington State capital budget as a contribution to the Sportsplex construction project.

The prior period adjustment made in 2020 was to record the 2019 Sportsplex property transfer to the city of Spokane missed in 2019.

The following graphs reflect the Revenues and Expenses by Source for year ended December 31, 2020.





CAPITAL ASSETS

The District's total investment in capital assets, including construction in progress, as of December 31, 2020 amounts to $208 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and construction in progress. Analysis of changes in capital assets is as follows:

	2020	2019
Land	$ 22,747,477	$ 24,193,878
Other Capital Assets	7,834,365	7,834,365
Construction in progress	36,664,363	3,371,847
Buildings	136,085,895	141,779,841
Machinery and equipment	3,195,502	3,734,395
Other Improvements	1,841,520	1,893,616
Total capital assets, net	$ 208,369,122	$182,807,942

Major capital asset additions during 2020 included the following:

- Arena Kubota snow plow/utility vehicle
- Convention Center video streaming equipment
- Convention Center video switcher
- Guest access management system in all facilities
- Key and lock core machine for all facilities

Additional information regarding the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At December 31, 2020, the District had total bonded debt outstanding of $129 million. The District holds an "A1" rating from Moody's and a "BBB+" rating from S & P Global Ratings.

	2020	2019
Revenue bonds	$ 128,760,000	$ 133,145,000
Unamortized premium	13,352,352	14,224,160
Total bonds payable	$ 142,112,352	$ 147,369,160

Further detail pertaining to the District's long-term obligations can be found in the notes to the financial statements.

ECONOMIC FACTORS

COVID-19 Pandemic

With the COVID-19 pandemic shutdown still in place, the District has done everything possible to cut down to base operating costs. Only eight employees have worked full time during the duration and many contracted services have been cut or trimmed. Public events have been booked, canceled and re-booked multiple times. During the last year, the District has partnered with other government agencies to host approved events during this shutdown in an attempt to be a community partner and receive some much needed revenue. Events included a homeless shelter and poor air quality shelter with the City of Spokane, an election center and court trial space with Spokane County and a COVID testing and vaccination clinic with the Washington State Department of Health. The District has received CARES Act grant funds from Spokane County and was awarded $6.8 million from the US Small Business Administration Shuttered Venue Operators Grant.

Stadium

The District has been asked to partner with Spokane Public Schools to build and operate an outdoor stadium that will be built adjacent to the Spokane Arena and The Podium. It will host Spokane Public Schools football and soccer games, as well as other school events such as graduations. Potentially a United Soccer League professional soccer team could be an anchor tenant as well. Negotiations and property purchases are under way with an expected construction start in the fall of 2021. Construction will be paid for with 2018 School District levy funds and will, hopefully, with the addition of District programming and USL soccer games, operate at a profit or breakeven.

The Podium

The Podium will be complete in the fall of 2021. With a sports tourism role similar to the convention center, it will probably operate at a loss. Both the capitalization and operation are expected to be covered with tax revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Spokane Public Facilities District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Spokane Public Facilities District, 720 W. Mallon Avenue, Spokane, Washington, 99201.

SPOKANE PUBLIC FACILITIES DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS	PRIMARY GOVERNMENT	COMPONENT UNIT
Current Assets:		
Cash and Cash Equivalents	$ 30,184,710	$ 33,609
Current Restricted Cash - Revenue Bond Covenants	24,828,649	-
Accounts Receivable	484,175	4,499
Due from Other Governments	6,304,983	-
Prepaid Expenses	232,536	-
Total Current Assets	62,035,053	38,107
Noncurrent Assets:		
Capital Assets not Being Depreciated:		
Land	22,747,477	-
Other Capital Assets - Non-Depreciable	7,834,365	-
Construction in Progress	36,664,363	-
Capital Assets Being Depreciated:		
Other Improvements	2,139,623	-
Buildings	223,700,332	-
Furniture, Fixtures, and Equipment	12,468,443	-
Less Accumulated Depreciation	(97,185,481)	
Total Capital Assets	208,369,122	-
Total Noncurrent Assets	208,369,122	-
TOTAL ASSETS	$ 270,404,175	$ 38,107
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - Loss on Refunding	$ 7,605,286	$ -
Deferred Outflow - Pensions	333,024	-
Deferred Outflow - OPEB	6,641	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 7,944,951	$ -
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 8,394,126	$ 2,058
Wages Payable	32,177	-
Interest Payable	682,808	-
Customer Deposits Payable	506,254	-
Total Current Liabilities	9,615,365	2,058
Noncurrent Liabilities:		
Due within 1 year:		
Due to Other Governments	2,625,489	-
Bonds Payable	4,605,000	-
Total OPEB Liability	13,282	
Due in more than 1 year:		
Compensated Absences Payable	468,117	-
Due to Other Governments	64,831,151	-
Revenue Bonds net of Unamortized Premium	137,507,352	-
Net Pension Liability	1,275,791	
Total OPEB Liability	2,278,529	
Total Noncurrent Liabilities	213,604,711	-
TOTAL LIABILITIES	$ 223,220,075	$ 2,058
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow - Pensions	$ 476,201	$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 476,201	$ -
NET POSITION		
Net Investment in Capital Assets	$ 46,658,363	$ -
Restricted for Debt Service	941,069	-
Unrestricted	7,053,419	36,049
TOTAL NET POSITION	$ 54,652,851	$ 36,049

See accompanying Notes to Financial Statements.

SPOKANE PUBLIC FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2020

	PRIMARY GOVERNMENT	COMPONENT UNIT
OPERATING REVENUES		
Charges for Goods & Services	$ 862,599	$ -
Rent, Parking, Concessions & Merchandise	2,746,015	113,502
Total Operating Revenues	3,608,614	113,502
OPERATING EXPENSES		
Salaries & Benefits	3,906,275	-
Supplies	557,429	-
Services & Charges	6,626,591	119,010
Taxes	47,922	473
Depreciation	6,599,560	-
Total Operating Expenses	17,737,778	119,483
Operating Income (Loss)	(14,129,163)	(5,981)
NONOPERATING REVENUES (EXPENSES)		
Local Retail Sales Tax	12,240,589	-
Hotel/Motel Excise Tax	1,810,928	-
Local Retail Sales Tax Rebate	4,077,938	-
City of Spokane Hotel/Motel Excise Tax	1,907,380	-
City of Spokane Admission Tax	281,210	-
Spokane County CARES Grant	1,485,053	
Interest on Invested Cash	1,303,330	1,169
Interest on Long-Term Debt and Other Debt Service Costs	(8,089,578)	-
Total Nonoperating Revenues (Expense)	15,016,850	1,169
Income (Loss) before Contributions	887,687	(4,812)
CAPITAL CONTRIBUTIONS/WA STATE CAPITAL GRANT	1,174,000	-
Change in Net Position	2,061,687	(4,812)
Total Net Position - Beginning	54,037,565	40,862
Prior Period Adjustment	(1,446,401)	
Total Net Position - Beginning, as Restated	52,591,164	40,862
Total Net Position - Ending	$ 54,652,851	$ 36,049

See accompanying Notes to Financial Statements.

SPOKANE PUBLIC FACILITIES DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	PRIMARY GOVERNMENT	COMPONENT UNIT
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Receipts from Customers	$ 4,872,495	$ 120,324
Payments to Employees	(4,112,131)	-
Payments for Operating Expenses	(7,772,652)	(195,760)
Net Cash Provided (Used) by Operating Activities	(7,012,288)	(75,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Intergovernmental Taxes Levied for Capital Debt Service Purposes	2,708,683	
Net Cash Provided (Used) by Noncapital Financing Activities	2,708,683	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Taxes Levied for Capital Debt Service Purposes	18,209,091	-
Acquisitions and Construction of Capital Assets	(23,140,852)	-
Payments to Other Governments per Interlocal Agreements	(1,445,368)	-
Principal Paid on Capital Debt	(4,385,000)	-
Interest Paid on Capital Debt	(8,320,369)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(19,082,499)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Invested Cash	1,303,330	1,169
Net Cash Provided (Used) in Investing Activities	1,303,330	1,169
Net Increase (Decrease) in Cash and Cash Equivalents	$ (22,082,774)	$ (74,267)
Balances - Beginning of Year	$ 77,096,133	$ 107,876
Balances - End of Year	$ 55,013,359	$ 33,609
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (14,129,163)	$ (5,981)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	6,599,560	-
Change in Assets & Liabilities:		
Accounts Receivable	1,145,762	6,822
Prepaid Assets	(84,830)	-
Customer Deposits	118,118	-
Accounts Payable	(455,879)	(76,277)
Wages Payable	(392,525)	-
Net Pension Liability	(253,718)	
Total OPEB Liability	440,387	
Net Cash Provided (Used) by Operating Activities	$ (7,012,288)	$ (75,436)
Noncash Investing, Capital, and Financing Activities:		
Net Amortization of Bond Premium and Deferred Loss on Refunding	286,786	

See accompanying Notes to Financial Statements

SPOKANE PUBLIC FACILITIES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	CUSTODIAL FUNDS
ASSETS	
Cash & Equivalents	$ 27,819
Total Assets	**27,819**
LIABILITIES	
Held for Future Disbursements	-
Total Liabilities	**-**
NET POSITION - END OF YEAR, DECEMBER 31	**$ 27,819**

See accompanying Notes to the Financial Statements

SPOKANE PUBLIC FACILITIES DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

	CUSTODIAL FUNDS
ADDITIONS	
Membership Dues	$ 7,950
Interest	567
Total Additions	**8,517**
DEDUCTIONS	
Web Hosting	220
Lobbying	16,000
Total Deductions	**16,220**
Net Increase (decrease) in Fiduciary Net Position	(7,703)
Net Position - Beginning of Year, January 1	35,522
Net Position - End of Year, December 31	**$ 27,819**

See accompanying Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Spokane Public Facilities District 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 Spokane Public Facilities District was created by the Washington State Legislature under RCW 36.100 in order to acquire, construct, own and operate a new sports and entertainment facility within Spokane County. Through the adoption of the September 1989 resolutions, the Spokane County Commissioners and Spokane City Council appointed two members each to the District Board of Directors. The legislation called for the fifth member to be selected by the other four members and required that one member be a representative of the hospitality industry. Through a countywide election in 1992, voters approved a 1/10 of 1% Sales and Use tax and a 2% Hotel/Motel tax to fund the new Spokane Veterans Memorial Arena.

In 2002, the District began collecting a state-authorized Sales & Use tax rebate of .033% for due diligence on three qualifying projects. In May 2002, Spokane County voters expanded the authority of the District to the full extent allowed by the RCW, in order to take on these new projects. They also voted to extend the 1/10 of 1% Sales and Use tax and the 2% Hotel/Motel tax that was currently funding the Arena, to fund three regional projects totaling $96 million. These projects included improvements to the Fair & Expo Center, improvements to Mirabeau Point and Convention Center expansion. During 2003, bonds were issued to finance the projects. The District issued $77 million to fund the three-phase Convention Center expansion project. Spokane County issued $12 million to fund the Fair & Expo Center improvements and the City of Spokane Valley issued $7 million to fund the Mirabeau Point improvements. Since the District is collecting the full amount of the tax revenue, it is responsible for paying the County and the City of Spokane Valley an amount equal to their debt service payments each year. A long-term liability, “Due to Other Governments”, has been set up to account for these payments in accordance with GAAP. Phase 1, the new Convention Center, was complete in 2006. Phase 2, the existing Convention Center remodel, was complete in 2007. Phase 3, south site acquisition for future expansion and development of a surface parking facility, was complete in 2010.

On September 1, 2003, the City of Spokane, through various interlocal agreements, transferred to the District a 2/3 ownership in Spokane Center, which includes the First Interstate Center for the Arts, Spokane Convention Center and Washington State International Agricultural Trade Center facilities. At the same time, the operating responsibilities for the Arena and Spokane Center shifted from the City to the District.

In April 2012, District voters reauthorized and extended both the Sales/Use Tax and the Hotel/Motel Tax for an additional ten years to September 1, 2043, to finance the cost of improving the Convention Center Exhibit Hall and the adjacent Centennial Trail and riverbank (the Convention Center Completion Project), with the taxes to be terminated upon final payment of the District's debt for the Project.

In connection with the voter approval of the extension and reauthorization of the Sales/Use Tax and the Hotel/Motel Tax to finance the Project, two events happened. One, in December 2012 Spokane County issued LTGO/Refunding bonds Series 2012, and loaned $15 million of the proceeds to the District with semiannual payments to be made until the loan maturity in 2043. And, two, the City of Spokane agreed

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to impose an additional 1.3 percent lodging excise tax, effective January 1st, 2013, and to forward the proceeds of this City-wide Hotel/Motel Tax to the District to finance the Project. The Lodging Tax Allocation Committee was formed to govern allocation of the funds not needed by the District. The purpose of any remaining funds is convention center marketing and promotion.

In May 2013, the District issued two series of bonds. Series A, $43,985,000, provided the rest of the money to finance the Project. Series B, $83,995,000, provided funds to terminate the 2005 swap option agreement and allowed the District to advance refund the 2003 Convention Center Expansion bonds.

In September 2013, the District sold the former parking lot to the south of the First Interstate Center for the Arts to the Worthy Group to develop a nationally branded, multi-story "convention" hotel with 700+ rooms, 70,000 sf of meeting space and 900+ parking spaces. The District gained a condominium interest in the garage with a guaranteed annual payment of $400,000 and the Worthy Group accepted all responsibility for all operational and capital obligations. The District records this annual payment as parking revenue.

The District continues to receive excess sales tax revenue, which it uses to improve the facilities.

Discretely Presented Component Unit – A component unit is a legally separate organization that a primary government must include as part of its financial reporting entity for fair presentation in conformity with GAAP. The component unit discussed below is included in the District reporting entity because of its operational or financial relationship with the District.

In 2007, the District partnered with the Doubletree Hotel forming the non-profit Spokane Convention Center Condominium Owners Association (the Association). The District owns units 1 and 3. The Doubletree owns unit 2. Units 1 and 2 are the parking garage. Unit 3 is the Spokane Convention Center. There are 3 board members – one representing each unit. To effectively operate and manage the parking garage, the District and Doubletree agreed to a Parking Development and Use Agreement. The Agreement addresses revenue and expenses plus a host of other issues. The District's 2020 portion of operating profit was $21,000 and is included in the operating revenue of the District. The District holds the monies for the Association within its group of funds at the County and handles all accounting duties. It is reported as a component unit by the District.

B. Basis of Presentation

1. Background

The initial mission of the Spokane Public Facilities District was to administer the operation and finance of the Spokane Veteran's Memorial Arena, the construction of which was completed in September 1995. This mission was expanded by voter approval and now includes operations of the Spokane Convention Center and First Interstate Center for the Arts as well as the Arena. The District's formal mission statement is: To operate the finest public assembly facilities and provide the highest quality of guest services in a manner that ensures profitable operations and financial sustainability, returns value to the stakeholders and maximizes economic impact to the Inland Northwest. Since user charges will primarily support the facilities over the long term, the District's accounts are organized as a proprietary fund. The District uses several separate funds, but all are combined as one for reporting purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Fund Definition

A proprietary fund is accounted for with a separate set of accounts that comprises its assets, liabilities, fund equity, revenues and expenses.

Proprietary funds are accounted for using the economic resources measurement focus. This means that all assets and all liabilities, whether current or long-term, associated with their activity are included on their statements of net position. The operating statement presents increases (revenues and gains) and decreases (expenses and losses) in net position. A separate statement that presents investing and financing activities discloses the District's cash flows.

3. Fiduciary Fund

Generally accepted accounting principles also direct that fiduciary funds be used to report assets held in a trustee or agency capacity for others. Accordingly, the resources of a legally separate entity that does not qualify as a component unit may nonetheless still have to be included within the primary government's financial statements as a fiduciary fund.

During 2012, the District partnered with other public facilities districts across the state to form a voluntary association whose members desire to coordinate and cooperate to facilitate the development, improvement, operation, maintenance, service delivery, and other matters to enhance the function and purpose of public facilities districts in the State of Washington. The District holds the monies for the association within its group of funds at the County and handles all accounting duties. It is reported as a fiduciary (agency) fund by the District and is excluded from the Statement of Net Position.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The District uses the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Thus, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

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 the funds principal ongoing activity. The principal operating revenues of the District are 1) charges to customers for use of its buildings, parking lots, equipment and staff, and 2) a portion of ticket fees, concession and merchandise sales during events. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District will utilize restricted resources first, then unrestricted resources as needed.

D. Budgetary Information

1. Scope of Budget

The District budgeting process is a financial planning tool used to establish the estimated revenues and expenses of the District. The budget is developed after reviewing revenue forecasts, and the impact of changes in rates for goods and services, rents, taxes and other

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

charges, prior year actual, current operating requirements, and the overall economic climate of the region.

Annual budgets are adopted for funds on the GAAP basis of accounting and at the fund level. The budgets constitute the legal authority for expenditures at that level. Projects that span multiple years will be budgeted in all years, when known.

2. Amending the Budget

If the Chief Executive Officer determines that it is in the best interest of the District to increase the operating expense budget by more than 5%, the Chief Executive Officer may submit a change request though the District Board. If there is an increase in the cost of a CIP or R&R project over the approved budget authority of the Chief Executive Officer, the Chief Executive Officer may submit a change request to the Project Committee or to the District Board.

E. Assets, Liabilities, and Equities

1. Cash and Cash Equivalents

Per RCW 36.100.100, Spokane County is required to be the District's fiscal agent. The Spokane County Treasurer automatically invests money deposited by the District in the Spokane County Investment Pool (SCIP). It is the policy of Spokane County to invest public funds in accordance with governing statutes and in a manner which will provide the best investment return. Investments are made by designated personnel in accordance with the Spokane County Treasurer's Investment Policy. County policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis. Due to the brief length of time short-term (three months or less) cash investments are held, market value approximates cost.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted and unrestricted cash) with a maturity of three months or less when purchased to be cash equivalents. See Note 2 for a discussion of the nature of restricted cash.

2. Accounts Receivable

Accounts receivable consists of amounts owed from private individuals or organizations for goods and services received, but not yet paid for. The amount owed at December 31, 2020 was $484,175 which includes $320,456 due from the City of Spokane for a Sportsplex construction reimbursement.

3. Due from Other Governments

Most tax revenue is received two months after it is earned. According to the full accrual basis of accounting, revenue is recognized when it is earned rather than when it is received. The amount of $6,304,983 was receivable from other governments at December 31, 2020. Of that, $444,824 was due from the City of Spokane for Lodging Tax receipts, $3,201,106 was due from the State of Washington for Sales and Use Tax, Sales and Use Tax Rebate and Hotel/Motel Tax receipts, $1,174,000 was due from the State of Washington for a capital grant award and $1,485,053 was due from Spokane County for a CARES Act reimbursement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Prepaid Expenses

Since the majority of the District's insurance policies are on an October 1 through September 30 year, the amount of $165,000 is for prepaid insurance at December 31, 2020. Occasionally annual dues, conference registrations, travel reservations and other expenses are paid for in a year prior to which they are for. Total prepaid expenses at December 31, 2020 are $232,536.

5. Capital Assets

Capital assets are recorded in the Statement of Net Position. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture, Fixtures, and Equipment	3 – 20 Years
Buildings	20 – 40 Years
Other Improvements	40 Years

Certain capital assets do not lose their value over time and are therefore not depreciated. District examples include land, works of art and the condominium interest in the Davenport Grand Hotel parking garage. See Note 3 for more information on capital assets.

6. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflow and inflow of resources, represents an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense/expenditures) or an inflow of resources (revenue) until that time.

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred. Paid days are earned at the following rates:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation:
1 – 4 years of service – 4 hours biweekly (13 days/yr)
5 -10 years of service – 5 hours biweekly (16.25 days/yr)
11-15 years of service – 6 hours biweekly (19.5 days/yr)
16-20 years of service – 7 hours biweekly (22.75 days/yr)
21+ years of service - 8 hours biweekly (26 days/yr)

Sick:
4 hours biweekly (13 days/yr)

Employees who leave District employment after one year are entitled to a cash payment for accrued vacation leave to a maximum of two times their annual accrual based on years of service. Employees who leave District employment after two years are entitled to a cash payment for accrued sick leave to a maximum of two times their annual accrual. The amount owed to employees, including taxes, at December 31, 2020 was $468,117.

8. 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 and City 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 and the City of Spokane. 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.

9. Other Postemployment Benefits

For purposes of measuring the liability for other post-employment benefits (OPEB) and related expense, information was obtained using an Alternative Measurement Method (AMM) tool developed by the Washington Office of the State Actuary for agencies with less than 100 persons receiving medical benefits provided by the Public Employee Benefits Board (PEBB). The AMM tool is consistent with the 2018 PEBB OPEB Actuarial Valuation Report and the Washington State OPEB Actuarial Valuation Report for the State's June 30, 2020 Fiscal Year-End. The tool is considered an alternative measurement method as allowed by GASB Statement No. 75 Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.

10. Other Accrued Liabilities

These accounts consist of accrued wages, accounts payable and funds held as deposits toward future events.

11. Long-Term Debt

See Note 8, *Long-Term Debt*.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Net Position

Net position has been classified on the statement of net position into the following components:

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

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

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

D. Accounting and Reporting Changes

For the reporting year ended December 31, 2020, the District has implemented GASB 84, *Fiduciary* Activities. In prior years, the District has report funds held on behalf of the Association of Washington State Public Facility Districts (AWSPFD) as fiduciary funds. As part of this implementation, these funds are classified as custodial funds and reported on the *Statement of Changes in Fiduciary Net Position* in addition to the *Statement of Fiduciary Net Position* the District has previously reported. This implementation also required an adjustment to the *Statement of Fiduciary Net Position*, which now reports an ending net position amount rather than the previously report liability amount.

NOTE 2 – DEPOSITS AND INVESTMENTS

Per RCW 36.100.100, Spokane County is required to be the District's fiscal agent and holds all of the District's deposits in the Spokane County Investment Pool (SCIP), an external investment pool operated by the Spokane County Treasurer.

The pool is not rated or registered with the SEC. Rather, oversight is provided by the Spokane County Finance Committee in accordance with RCW 36.48.070. Funds invested in the SCIP are carried at cost plus interest, which approximates fair value. Interest earnings from the SCIP are allocated on average daily balance, and credited monthly. Funds invested in the SCIP can be withdrawn on demand, and are reported as cash and cash equivalents.

As of December 31, 2020, the District had the following cash and cash equivalents:

	Primary Government	Component Unit	Fiduciary Fund
Petty cash	$ 250	$ -	$ -
Spokane County Investment Pool	55,013,109	33,609	27,819
	$ 55,013,359	$ 33,609	$ 27,819

The SCIP has not obtained, or provided, any legally binding guarantees. Investments by the SCIP are limited by state statute. SCIP deposits and certificates of deposit are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the PDPC (Washington Public Deposit Protection Commission). The SCIP investment policy in its entirety is available at www.spokanecounty.org.

At December 31, 2020 the District's fair value of the position in the pool approximated the same as the value of the pool shares. The difference between book value and fair value is $600,000. As of December 31, 2020, the effective duration of the pool was 1.07 years and the weighted average maturity was 1.10 years.

The book value measurements of investments are classified on the statement of net position at December 31 as shown below:

	Primary Government	Component Unit	Fiduciary Fund
Cash and cash equivalents	$ 30,184,710	$ 33,609	$ 27,819
Current restricted cash - debt covenants	24,828,649	-	-
	$ 55,013,359	$ 33,609	$ 27,819

Restricted cash:
Per Resolution #13-05 dated April 23, 2013 providing for the issuance of the 2013 bonds, and per Resolution #17-02, dated September 26, 2017 providing for the issuance of the 2017 bonds, beginning December 1st each year, all tax revenue received into the Tax Revenue Fund is to be transferred to the Bond Fund until the fund balance is sufficient to cover the next two debt service payments (June 1 and December 1 of the following year). The cash balance in the Bond fund at December 31, 2020 was $1,623,876.

	Primary Government	Component Unit	Fiduciary Fund
Cash restricted for Bond fund	$ 1,623,876	$ -	$ -
Cash restricted for Construction	23,204,773		
	$ 24,828,649	$ -	$ -

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 24,193,878	-	(1,446,401)	$ 22,747,477
Other Capital Assets	7,834,365	-	-	7,834,365
Construction in progress	3,371,847	33,292,516	-	36,664,363
Total capital assets, not being depreciated	35,400,090	33,292,516	(1,446,401)	67,246,205
Capital assets, being depreciated:				
Buildings	223,599,337	100,995	-	223,700,332
Machinery and equipment	12,254,812	213,631	-	12,468,443
Other Improvements	2,139,623	-	-	2,139,623
Total capital assets, being depreciated	237,993,772	314,626	-	238,308,398
Less accumulated depreciation for:				
Buildings	81,819,496	5,794,941	-	87,614,437
Machinery and equipment	8,520,417	752,523	-	9,272,941
Other Improvements	246,007	52,096	-	298,103
Total accumulated depreciation	90,585,921	6,599,560	-	97,185,481
Total capital assets, being depreciated, net	147,407,852	(6,284,934)	-	141,122,918
Total capital assets, net	$ 182,807,942	$ 27,007,582	$ (1,446,401)	$ 208,369,122

See Note 1(E)(6) for more information on capital assets.

NOTE 4 - PENSION PLANS

The District participates in three types of pension plans for its full-time employees – Spokane Employees' Retirement System (SERS), Public Employee Retirement System (PERS) and John Hancock.

Prior to September 1, 2003, the District had only one qualifying employee. That employee was in the PERS system. When the District took over operating responsibilities from the City of Spokane on September 1, 2003, the District hired 30 more employees. Many of those were former City employees. Those employees that were vested in the Spokane Employee Retirement System at the time of transfer to the District, and did not retire from the City, were permitted to remain in that system, with City Council approval. All new hires automatically join PERS. The third plan, John Hancock 401(a)/457 account, is for the employees that retired from the City and are not eligible for PERS.

Prior to July 2008, the SERS plan was the most generous, with the employee and employer contribution rates both at 6.72%. The District, in an attempt to make retirement benefits as equitable as possible to the SERS plan, required that the contribution rates for the PERS plans equal a minimum of 6.72%. Since PERS had set rates (see below), both the employee and the employer were putting an additional amount into the employees' John Hancock 401(a)/457 account so that the total contributed by both parties was 6.72%. On July 1st, however, the PERS employer rates were increased higher than the 6.72% rate. The extra employer contributions into the 401(a) account were stopped. On January 1, 2009, the SERS rate was raised from 6.72% to 7.75%, on September 1, 2014 to 8.25%, on December 17th, 2017 to 9%, on

NOTE 4 - PENSION PLANS (CONTINUED)

December 30, 2018 to 9.25%, on December 15th, 2019 to 9.75 and on December 26th, 2020 to 10%. For the John Hancock plan, both employer and employee contribute 6.72% to the 401(a)/457 account.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2020:

Component	SERS Plan	PERS 1 Plan	PERS 2/3 Plan	John Hancock	Total
Net pension liabilities	$ 430,698	$ 574,136	$ 270,957	$ -	$ 1,275,791
Deferred outflows of resources	106,890	33,564	192,569	-	333,024
Deferred inflows of resources	187,401	3,197	285,603	-	476,200
Pension expense	7,668	(18,805)	22,584	12,042	23,489

A. Spokane Employees' Retirement System

1. General

The City administers three single-employer, defined benefit retirement plans. The District only participates in the Spokane Employees' Retirement System (SERS).

2. Plan Description

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

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

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

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

SERS provides retirement, death, and disability benefits. All employees hired before January 1, 2009, who participate in SERS, are eligible for service retirement after completing five years of service if they are age 50 or older. Their retirement benefits are calculated by multiplying 2.15% of the member's highest consecutive two-year average salary times the member's years of creditable service, not to exceed 64.50%. Employees hired prior to January 1, 2009, have a

NOTE 4 - PENSION PLANS (CONTINUED)

choice at retirement of choosing a 2.15% multiplier with a service cap of 30 years or a 2.0% multiplier with a service cap of 35 years. The District has one employee in this category.

All employees hired on or after January 1, 2009 but before January 1, 2015 who participate in SERS, are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age, plus years of service, equal to 75 or reach the normal retirement age of 62. Their retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive two-year average salary by the member's years of creditable service, to a maximum of 70.00%. The District has no employees in this category.

All employees hired on or after January 1, 2015 but before January 1, 2018 who participate in SERS, are eligible for service retirement after completing seven years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 80 or reach the normal retirement age of 65. Their retirement benefits are calculated by multiplying 2.00% of the member's highest consecutive three-year average salary by the member's years of creditable service, to a maximum of 70.00%. The District has no employees in this category.

All employees hired on or after January 1, 2018, who participate in SERS, are eligible for service retirement after completing seven years of service and reach the normal retirement age of 65. Early retirement, with no reduction of benefits, may be elected when an employee's age plus years of service equal to 90 before or if they are age 50 or older and have completed 30 years of service. A reduced early retirement may be elected with benefits reduced by 2.5% per year for each year before the retiree would be eligible for full retirement. Their retirement benefits are calculated by multiplying 2.00% by the member's years of creditable service times the member's highest consecutive three-year average salary, with an annual cap on overtime plus base pay equal to 120% of base pay. The maximum retirement factor is 80.00% The District has no employees in this category.

For all employee groups, benefits may be reduced on an actuarially equivalent basis according to the retirement annuity option selected for themselves and their beneficiaries.

The SERS Board of Administration considers issuing an ad hoc adjustment for retiree benefits each year. The Board can grant an ad hoc adjustment if the AAL funded ratio is 90% or greater and remains above 90% after the ad hoc adjustment is granted. The AAL funded ratio was less than 90% as of December 31, 2020. The last ad hoc retiree adjustment occurred in 2001. Based on the current AAL funded ratio, it will take continued significant favorable experience in the investment markets or a future increase in contribution levels to raise the funded ratio above the ad hoc threshold.

Plan Membership

Membership of the City administered plan, as of the last actuarial valuation, is as follows:

Plan	Inactive Members or Beneficaries Receiving Benefits	Inactive Members Entitled to But Not Receiving Benefits	Active Plan Members	Total Members	Membership as of the Latest Actuarial Valuation
SERS	1,504	131	1,464	3,099	12/31/20

NOTE 4 - PENSION PLANS (CONTINUED)

The District has one active plan member. The other statistics are not tracked for District employees.

3. Summary of Significant Accounting Policies

Basis of Accounting

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

Stand Alone Statements

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

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

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

Use of Estimates

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

4. Deposits and Investments

Rate of Return

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

The long-term expected rate of return on pension plan investments was determined using statistical methods to determine the best-estimate future real rate of return (net of pension plan investment expense and inflation) based on long-term performance of the major asset classes.

NOTE 4 - PENSION PLANS (CONTINUED)

These returns are used to determine the estimated portfolio return based on the target asset allocation percentage of each asset class.

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, is shown in the table below:

	SERS
Rate of return	11.50%

Estimated Rates of Return
Below are the estimated real rates of return for the pension plan as of December 31, 2020:

Long-term expected real rate of return	SERS
Global equity	6.0%
US fixed income	1.5%
Long biased	4.0%
Opportunistic Credit	7.0%
Real estate	2.2%

[1]The inflation component used to create the table is 2.2 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

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

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

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

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

NOTE 4 - PENSION PLANS (CONTINUED)

basis.

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

Target Asset Allocations
The target asset allocations as of December 31, 2020 were:

Target allocation	SERS
US equity	32%
US fixed Income	23%
Global equity	22%
Long/short and special opportunities	14%
Real estate	9%
Total	100.0%

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

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

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

NOTE 4 - PENSION PLANS (CONTINUED)

5. Net Pension Liability

The components of the net pension liability that was calculated based on the actuarial report dated December 31, 2020 are shown in the table below:

Component	SERS Plan	SPFD Share
Total pension liability	$ 496,987,271	$ 1,192,854
Plan fiduciary net position	317,542,366	762,156
Net pension liability	179,444,905	430,698
Plan fiduciary net position as a % of total pension liability	63.89%	63.89%

6. Actuarial Assumptions

The total net pension liability was determined by an actuarial evaluation using the following actuarial assumptions, applied to all periods in the measurement. The measurement date was December 31, 2019.

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.

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 of 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.
- 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 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.

NOTE 4 - PENSION PLANS (CONTINUED)

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 for more information on this method change.

Pension Funding Status (in thousands)	**Employees' Retirement System**
Valuation date	12/31/2020
Actuarial cost method	Entry age normal
Amortization method	Level % of pay over not more than 30 years
Remaining amortization years	22
Asset valuation method	Expected value method with 5-year smoothing and 90-110% market value corridor
Actuarial assumptions	
Investment rate of return	7.5%
Projected salary increases	2.5-12.0%*
Economic inflation	2.25%
Cost of living adjustments	0.0%
Mortality	RP-2000 Fully Generational Mortality Tables

7. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current 9.75% contribution rate and that city contributions will be made at the same rate. The contribution rate for all participants and the City increased to 10% on December 27, 2020. The contribution rate is now tied to the Actuarially Determined Contribution (ADC) rate as determined by the Plan's actuary in the annual valuation. These changes were sufficient to eliminate the projected depletion of assets and return the discount rate to the 7.50% assumed rate of return.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following table represents the net pension liability calculated using the blended discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Plan	**1% Decrease (6.5%)**	**Current Discount Rate (7.5%)**	**1% Increase (8.5%)**
SERS	231,504,737	179,444,905	135,023,895
SPFD Share	555,651	430,698	324,080

NOTE 4 - PENSION PLANS (CONTINUED)

8. Pension Expense

For the year ended December 31, 2020, the City and the District recognized pension expense as follows:

Description	SERS	SPFD Share
Service Cost	$ 9,814,459	$ 23,556
Interest Cost	34,666,267	83,205
Benefit Changes	-	-
Experience Loss	977,734	2,347
Change in Assumptions	-	-
Contributions - Employer	-	-
Contributions - Employee	(9,827,760)	(23,588)
Net Investment Income:		-
Expected Return on Investments	(20,492,356)	(49,185)
Investment (Gain) Loss Expensed	(5,934,874)	(14,245)
Investment (Gain) Loss Deferred	-	-
Benefits Paid, including Refunds of Employee Contributions	-	-
Administrative Expense	555,763	1,334
Amortization	928,410	2,228
Other Changes	-	-
Pension Expense	$ 10,687,643	$ 25,652
Change in proportion		(17,984)
Total Pension Expense		7,668

9. Deferred Outflows/Inflows of Resources

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

Deferred inflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference

NOTE 4 - PENSION PLANS (CONTINUED)

between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the city's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with a pension through the pension plan.

At December 31, 2020, the City and District reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	SERS		SPFD	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net difference between projected and actual investment earnings on pension plan investments	$ 634,182	$ -	$ 1,522	$ -
Changes of assumptions	24,815,987	(79,019,718)	59,563	(190,870)
Differences between expected and actual experience	13,241,161	-	32,382	-
Change in proportion and differences between contributions and proportionate share of contributions	(160,507)	1,445,531	(385)	3,470
City contributions subsequent to the measurement date	-	-	13,809	-
Total	$ 38,530,823	$ (77,574,187)	$ 106,890	$ (187,401)

Deferred outflows of resources related to pension resulting from 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:

Amortization of Deferred (Inflows) and Deferred Outflows						
	SERS			**SPFD**		
Recognition Period (years)	6.0	6.0	5.0	6.0	6.0	5.0
Year	**Inflows**	**Outflows**	**Outflows**	**Inflows**	**Outflows**	**Outflows**
2021	$ (24,883,672)	$ 4,114,209	$ 9,929,259	$ (59,725)	$ 9,875	$ 23,832
2022	(24,883,672)	3,033,709	9,284,097	(59,725)	7,882	22,283
2023	(22,465,876)	975,307	9,284,099	(53,922)	2,341	22,283
2024	(5,629,514)	975,307	(40,472)	(14,721)	2,341	(97)
2025	288,548	975,307	-	693	2,341	-
Thereafter	-	-	-	-	-	-
Total Deferred (Inflows)/Outflows	$ (77,574,186)	$ 10,073,838	$ 28,456,984	$ (187,401)	$ 24,780	$ 68,302

10. Funding Policies

The table at the end of this section provides the actual contribution rate (expressed as a percentage of current year covered payroll) at the close of December 31, 2020.

NOTE 4 - PENSION PLANS (CONTINUED)

Member and employer contribution rates are established by SMC Chapter 4.14. The funding of SERS is currently based on the entry age normal method. SERS funding objective is to achieve and maintain an actuarial liability funded status between 90% and 110%. Member contributions are 9.75% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 9.75% of eligible compensation for a combined total of 19.5%. Effective December 27, 2020, the annual Contribution Rate was changed to a combined total of 20.0%. Member contributions are 10.0% of eligible compensation and the City contributions 10.0% of eligible compensation. It is contemplated that the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth. Combined contributions from employees and the employer were $21.3 million in 2020 and $19.7 million in 2019.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2020, are as follows:

Actual Contribution Rates	Employer	Employee
SERS	9.75%	9.75%
Effective December 27, 2020, SERS annual contribution rate was changed to 20% of payroll (10% paid by employee, 10% paid by payroll)		

11. Employer Contributions Paid

The following table presents the District's contributions to SERS in accordance with the funding policy. There are no long-term contracts for contributions for the SERS plan.

Plan	2020	2019	2018	2017
SERS	10,659,281	9,824,717	9,187,420	8,113,319
SPFD Share	13,809	23,588	22,781	19,051

B. State Sponsored Pension Plan

Substantially all District full-time and qualifying part-time employees participate in the following statewide retirement system 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:

NOTE 4 - PENSION PLANS (CONTINUED)

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

1. 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. The District has no employees in Plan 1.

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

NOTE 4 - PENSION PLANS (CONTINUED)

retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

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

Actual Contribution Rates	Employer 2/3	Employee 2
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
Total	**12.86%**	**7.90%**
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
Total	**12.97%**	**7.90%**

The District’s actual contributions to the plan were $251,356 for the year ended December 31, 2020.

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

NOTE 4 - PENSION PLANS (CONTINUED)

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; 3.5% salary inflation
- **Salary increases**: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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.
- 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 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 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.

NOTE 4 - PENSION PLANS (CONTINUED)

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 and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

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%
	100%	

Sensitivity of Net Pension Liability

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the District'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.

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 719,138	$ 574,136	$ 447,680
PERS 2/3	1,685,966	270,957	(894,304)
Total	$ 2,405,105	$ 845,093	$ (446,624)

NOTE 4 - PENSION PLANS (CONTINUED)

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 District reported a total pension liability of $845,093 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	$ 574,136
PERS 2/3	270,957
Total	$ 845,093

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

Plan	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.017405%	0.016262%	-0.001143%
PERS 2/3	0.022469%	0.021186%	-0.001283%

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*.

The collective net pension liability was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability 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 District recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ (18,805)
PERS 2/3	22,584
Total	$ 3,779

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 4 - PENSION PLANS (CONTINUED)

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (3,197)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement	33,564	$ -
Total	$ 33,564	$ (3,197)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	$ 96,999	$ (33,957)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (13,761)
Changes of assumptions	$ 3,859	$ (185,087)
contributions and proportionate share of contributions	$ 36,692	$ (52,798)
Contributions subsequent to the measurement	$ 55,019	
Total	$ 192,569	$ (285,603)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	$ 96,999	$ (33,957)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (16,957)
Changes of assumptions	$ 3,859	$ (185,087)
contributions and proportionate share of contributions	$ 36,692	$ (52,798)
Contributions subsequent to the measurement	$ 88,583	$ -
Total	$ 226,134	$ (288,800)

Deferred outflows of resources related to pensions resulting from the District'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:

NOTE 4 - PENSION PLANS (CONTINUED)

Year ended December 31:	PERS 1
2021	$ (14,506)
2022	$ (456)
2023	$ 4,426
2024	$ 7,340
2025	$ -
Thereafter	$ -

Year ended December 31:	PERS 2/3
2021	$ (114,740)
2022	$ (29,184)
2023	$ 2,506
2024	$ 20,569
2025	$ (9,873)
Thereafter	$ (17,330)

C. John Hancock 401(a)/457 Plan

This pension option is for those employees that are ineligible for the other two options - SERS and PERS.

The required contribution rate expressed as a percentage of current-year covered payroll, as of December 31, 2020, was as follows:

	John Hancock 401(a)/457
Employer	6.72%
Employee	6.72%

Both the District and the employees made the required contributions. The District's required contributions for the year ending December 31 were as follows:

	John Hancock 401(a)
2020	$12,042
2019	$17,239
2018	$24,348

NOTE 5 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2020:

OPEB liabilities	$	2,291,811
Deferred outflows of resources	$	6,641
Deferred inflows of resources		
OPEB expense	$	440,608

OPEB Plan Description

In addition to pension benefits described in Note 4, the District provides OPEB under a cost-sharing multiple employer defined benefit plan through its membership in the Public Employees Benefits Board (PEBB). Financial information for this OPEB plan can be obtained from the Washington State Health Care Authority which administers PEBB plan benefits. The District's current employees have access to medical, prescription drug, and vision coverage through PEBB. District retirees have access to all of these benefits through PEBB, as well. PEBB employers provide monetary assistance, or subsidies, to the retirees for medical, prescription drug, and vision insurance. The OPEB relationship between PEBB employers and the retirees is provided in a substantive plan based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs. The relationship is not formalized in a contract or plan document.

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	46
Total	50

Funding Policy

In Washington State, the implicit and explicit liabilities for this OPEB plan have been funded on a pay-as-you-go basis, meaning that PEBB employers have paid these costs as they occurred. Contributions are set by the Legislature each biennium as a part of the budget process. The PEBB OPEB plan has no assets and does not issue a publicly available financial report. The District's total OPEB liability was measured as of June 30, 2020, using the alternative measurement method. This method was used in place of an actuarial valuation. No update procedures were used to roll forward to December 31, 2020. The OPEB expense recognized by the District during 2020 was $440,608.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial Valuation Date: 6/30/20
- Discount rate (beginning of measurement year): 3.50%
- Discount rate (end of measurement year): 2.21%

NOTE 5 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

- Discount rates based on the Bond Buyer General Obligation 20-Bond Municipal Index
- Salaries: 3.5% + service-based increases
- Healthcare trend rates: Initial rate is approximately 7%, trends down to about 5% in 2020
- Mortality rates were based on RP 2000 Mortality tables, with mortality improvement scales applied Inflation rate: 2.75%
- Post-retirement participation percentage: 65%
- Percentage with spouse coverage: 45%

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 7%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

Plan	1% Decrease (6%)	Current Healthcare Cost Trend Rate (7%)	1% Increase (8%)
Total OPEB liability	$ 1,824,370	$ 2,291,811	$ 2,920,630

The following presents the total OPEB liability of the District calculated using the discount rate of 3.5%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5%) or 1- percentage point higher (4.5%) than the current rate.

Plan	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	$ 2,815,806	$ 2,291,811	$ 1,885,412

Changes in the Total OPEB Liability

Total OPEB Liability at 01/01/20	$ 1,851,203
Service Cost	$ 100,078
Interest	$ 68,056
Changes of benefit terms	$ -
Difference between expected and actual experience	$ 286,233
Benefit payments	$ (13,759)
Other changes	$ -
Total OPEB Liability at 12/31/20	$ 2,291,811

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 5 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	$ -	$ -
Payments subsequent to the measurement date	$ 6,641	$ -
Total	$ 6,641	$ -

Due to the nature of the OPEB liability, there are no deferred outflows or inflows of resources other than deferred outflows for payments subsequent to the measurement date. Deferred outflows of resources of $6,641 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

NOTE 6 - NET POSITION

Net investment in capital assets consists of the following:

Capital assets	$ 208,369,122
Long-term debt related to capital assets	(192,520,818)
Deferred loss on refunding	7,605,286
Construction fund cash	23,204,773
	$ 46,658,363

Restricted net position consists of the following:

Cash restricted for debt service	$ 941,069

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District is self-funded for unemployment insurance, but maintains commercial coverage for everything else. There has never been a year in which claims exceeded coverage. During 2020, due to the COVID-19 shutdown, most District employees were receiving unemployment benefits. Total claims paid for 2020 was $127,581. No liability has been recorded for unpaid claims as of December 31, 2020. There was one unemployment claim totaling $297 in 2019, three claims totaling $11,233 in 2018, four claims totaling $10,765 in 2017, two claims totaling $1,311 in 2016, three claims totaling $5,235 in 2015, and no claims in 2014.

Spokane Public Facilities District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase

NOTE 7 - RISK MANAGEMENT (CONTINUED)

insurance and administrative services. As of August 31, 2020, there are 547 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund the Pool and share in the self-insured retention. The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 self-insured retention on property loss - the member is responsible for the first $10,000 of the amount of each claim, while Enduris is responsible for the remaining $240,000 on a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $800 million per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

Enduris did not have any claim settlements that exceeded limits in the last three years.

NOTE 8 - LONG-TERM DEBT

Revenue Bonds

On May 8, 2013, the District issued $83,995,000 of Hotel/Motel and Sales/Use Tax Refunding Bonds, Series 2013B, for the purposes of advance refunding $74,945,000 of Convention Center expansion

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Hotel/Motel and Sales/Use Tax Revenue Bonds, Series 2003, and paying amounts due to terminate a swaption agreement issued in connection with the Series 2003 Bonds.

Total debt service on the Series 2013B Bonds will be $137,807,321 through December 2033 for an increase of $8,917,970 compared to debt service on the Series 2003 Bonds over the same period. The District will experience an economic loss (difference between the present values of the debt service payments on the old and new bonds) of $5,814,734. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $12,285,462, which is reported as a deferred loss on refunding and will be amortized over the life of the 2013B Bonds (through 2033).

On May 9, 2013, the District issued $43,985,000 of Hotel/Motel and Sales/Use Tax Bonds, Series 2013A, for the purposes of the Convention Center Completion project. Total debt service on the Series 2013A Bonds will be $97,548,311 through 2043.

On November 21, 2017, the District issued $18,485,000 of Hotel/Motel and Sales/Use Tax Bonds, Series 2017, for the purpose of the First Interstate Center for the Arts renovation project. Total debt service on the Series 2017 Bonds will be $37,693,424 through 2041.

The revenue bonds currently outstanding are as follows:

Bond Issue	Maturity Date	Interest Rates	Amount
2013B Refunding-Convention Center Expansion	09/01/33	3.0 - 5.0%	$ 68,010,000
2017 PAC Renovation	12/01/41	0.05	18,485,000
2013A-Convention Center Completion	05/01/43	3.0 - 5.0%	42,265,000
			$ 128,760,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest
2021	4,605,000	6,335,700
2022	4,835,000	6,105,450
2023	5,080,000	5,863,700
2024	5,330,000	5,609,700
2025	5,600,000	5,343,200
2026-2030	26,390,000	22,624,500
2031-2035	27,330,000	16,022,188
2036-2040	32,075,000	8,981,250
2041-2043	17,515,000	1,402,975
	$ 128,760,000	$ 78,288,663

In June 2018, the District purchased a municipal bond debt service reserve insurance policy to provide for the $10,968,624 reserve requirement on its outstanding Series 2013A Bonds, Series 2013B Bonds, and Series 2017 Bonds, thus freeing up the cash to be used for the Sportsplex project.

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Due to Other Governments

In 2002, the District began collecting a state-authorized Sales & Use tax rebate of .033% for due diligence on three qualifying projects. In May 2002, Spokane County voters voted to extend the 1/10 of 1% Sales and Use tax and the 2% Hotel/Motel tax that is currently funding the Spokane Veterans Memorial Arena. These three tax revenues funded three regional projects totaling $96 million. These projects included improvements to the Fair & Expo Center, certain improvements to Mirabeau Point and Convention Center expansion. During 2003, three separate bonds were issued to finance the projects. The District issued $77 million to fund the Convention Center expansion. Spokane County issued $12 million to fund the Fair & Expo improvements and the City of Spokane Valley issued $7 million to fund the Mirabeau Point improvements. Per the interlocal agreements between the District and the County and the City of Spokane Valley, since the District is collecting the full amount of the tax revenue, the District is responsible for paying the County and the City of Spokane Valley an amount equal to their debt service payments each year until the bonds are paid off in 2033. A liability, “Due to Other Governments”, has been set up to account for these payments in accordance with GAAP. Spokane County refunded its bonds in 2012 and 2019 and Spokane Valley refunded its bonds in 2014, resulting in adjustments to the liability in those years. See Note 11A. The amount at December 31, 2020 that is payable during 2021 is $635,437 to Spokane County and $480,800 to the City of Spokane Valley. The long-term portions are $11,333,137 and $4,598,800 respectively.

In December of 2012, the District entered into an agreement with Spokane County whereby the County issued bonds and loaned $15 million of proceeds to the District. This loan, in combination with the proceeds from the District’s own 2013A bonds, fully funded the April 17, 2012 voter approved Measure One projects. The loan, along with its issuance costs, will be repaid by the District with semi-annual payments that match the County’s debt service schedule through its maturity in 2043 and is included in the liability, “Due to Other Governments.” As of December 31, 2020, the District owed $12,804,157 to Spokane County. Of this, $404,944 is payable during 2021 and the remaining $12,399,214 is payable after 2021.

As the final funding mechanism for construction of the Sportsplex, the District entered into an agreement with Spokane County in December, 2019, whereby the County issued bonds and loaned $37 million of proceeds to the District. The loan, along with its issuance costs, will be repaid by the District with semi-annual payments that match the County’s debt service schedule through its maturity in 2041 and is included in the liability, “Due to Other Governments.” As of December 31, 2020, the District owed $37,604,308 to Spokane County. Of this, $1,104,308 is payable during 2021 and the remaining $36,500,000 is payable after 2021.

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 133,145,000	$ -	$ (4,385,000)	$ 128,760,000	$ 4,605,000
Unamortized Premium	14,224,160	-	(871,808)	13,352,352	
Total Bonds Payable	147,369,160	-	(5,256,808)	142,112,352	4,605,000
				-	
Compensated Absences	471,259	-	(3,142)	468,117	-
Net Pension Liability	1,380,015	-	(104,223)	1,275,791	-
Total OPEB Liability	1,851,203	440,608	-	2,291,811	13,282
Due to Other Governments	68,902,007	-	(1,445,368)	67,456,639	2,625,489
Total Long-Term Liabilities	$ 219,973,644	$ 440,608	$ (6,809,542)	$ 213,604,711	$ 7,243,771

NOTE 9 - CONTINGENCIES AND LITIGATIONS

The District's financial statements include all material liabilities. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The prior period adjustment made in 2020 was to record the missed 2019 transfer of two land parcels purchased for the Sportsplex in 2019 at a cost of $1,446,401 to the City of Spokane per an interlocal agreement.

NOTE 11 - OTHER DISCLOSURES

A. 2003 Expense Recovery

According to generally accepted accounting principles, the offsetting entry to record the Due to Other Governments payable (see Note 8) is expense. Therefore, the full amount to be paid to Spokane County and the City of Spokane Valley, $39,344,826, was expensed in 2003. The large negative impact that this had on equity will be recovered steadily over the next 30 years as the revenue associated with the debt is received and recorded in full. As the two entities have refunded these bonds (Spokane County in 2012 and 2019, and the City of Spokane Valley in 2014), the District recorded a prior period adjustment in those years to record the net present value savings to the District.

B. COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to

NOTE 11 - OTHER DISCLOSURES (CONTINUED)

stay home unless they are leaving for an essential function. The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time, however, the District has done everything possible to cut down to base operating costs. Only eight employees have worked full time during the duration and many contracted services have been cut or trimmed. Public events have been booked, canceled and re-booked multiple times. During the last year, the District has partnered with other government agencies to host approved events during this shutdown in an attempt to be a community partner and receive some much needed revenue. Events included a homeless shelter and poor air quality shelter with the City of Spokane, an election center and court trial space with Spokane County and a COVID testing and vaccination clinic with the Washington State Department of Health. The District has received CARES Act grant funds from Spokane County and was awarded $6.8 million from the US Small Business Administration Shuttered Venue Operators Grant.

C. Subsequent Events

Stadium

The District has been asked to partner with Spokane Public Schools to build and operate an outdoor stadium that will be built adjacent to the Spokane Arena and The Podium. It will host Spokane Public Schools football and soccer games, as well as other school events such as graduations. Potentially a United Soccer League professional soccer team could be an anchor tenant as well. Negotiations and property purchases are under way, with an expected construction start in the fall of 2021. Construction will be paid for with 2018 School District levy funds and will, hopefully, with the addition of District programming and USL soccer games, operate at a profit or breakeven.

SPOKANE PUBLIC FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

Spokane Public Facilities District
Schedule of Proportionate Share of the Net Pension Liability
PERS 1/2/3
As of June 30, 2020
Last 10 Fiscal Years*

Measurement Date:	**06/30/20**	**06/30/19**	**06/30/18**	**06/30/17**	**06/30/16**	**06/30/15**
PERS 1						
District's proportion of the net pension liability (asset)	0.016262%	0.017405%	0.016507%	0.017229%	0.016999%	0.017431%
District's proportionate share of the net pension liability	$ 574,136	$ 669,284	$ 737,208	$ 817,529	$ 912,926	$ 911,803
Covered payroll	$ 2,420,253	$ 2,442,295	$ 2,197,507	$ 2,172,663	$ 2,028,636	$ 1,998,835
District's proportionate share of the net pension liability as a percentage of covered payroll	23.72%	27.40%	33.55%	37.63%	45.00%	45.62%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Measurement Date:	**06/30/20**	**06/30/19**	**06/30/18**	**06/30/17**	**06/30/16**	**06/30/15**
PERS 2/3						
District's proportion of the net pension liability (asset)	0.021186%	0.022469%	0.021222%	0.022177%	0.021812%	0.022557%
District's proportionate share of the net pension liability	$ 270,957	$ 218,250	$ 362,347	$ 770,545	$ 1,098,217	$ 805,974
Covered payroll	$ 2,420,253	$ 2,442,295	$ 2,197,507	$ 2,172,663	$ 2,028,636	$ 1,998,835
District's proportionate share of the net pension liability as a percentage of covered payroll	11.20%	8.94%	16.49%	35.47%	54.14%	40.32%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

** Until a full 10-year trend is compiled, the District will only present information for those years for which information is available.*

SPOKANE PUBLIC FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

Spokane Public Facilities District
Schedule of Proportionate Share of the Net Pension Liability
SERS
As of December 31, 2019
Last 10 Fiscal Years*

Measurement Date:	**12/31/19**	**12/31/18**	**12/31/17**	**12/31/16**	**12/31/15**	**12/31/14**
SERS						
District's proportion of the net pension liability (asset)	0.240017%	0.248274%	0.234380%	0.244043%	0.250684%	0.230757%
District's proportionate share of the net pension liability	$ 430,698	$ 492,480	$ 350,357	$ 601,330	$ 600,946	$ 474,484
Covered payroll	$ 255,001	$ 253,930	$ 230,922	$ 225,289	$ 220,000	$ 200,000
District's proportionate share of the net pension liability as a percentage of covered payroll	168.90%	193.94%	151.72%	266.92%	273.16%	237.24%
Plan fiduciary net position as a percentage of the total pension liability	63.89%	58.44%	67.37%	52.95%	53.18%	58.16%

** Until a full 10-year trend is compiled, the District will only present information for those years for which information is available.*

SPOKANE PUBLIC FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

Spokane Public Facilities District
Schedule of Employer Contributions
PERS 1/2/3 and SERS
For the Year Ended December 31, 2020
Last 10 Fiscal Years*

Measurement Date:	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15
PERS 1						
Statutorily or contractually required contributions (for UAAL portion only)**	$ 94,668	$ 121,832	$ 120,039	$ 108,550	$ 99,606	$ 89,689
Contributions in relation to the statutorily or contractually required contributions	$ 94,668	$ 121,832	$ 120,039	$ 108,550	$ 99,606	$ 89,689
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,978,380	$ 2,453,764	$ 2,372,859	$ 2,225,365	$ 2,088,190	$ 2,080,719
Contributions as a percentage of covered payroll	4.79%	4.97%	5.06%	4.88%	4.77%	4.31%

***No District employees are covered by PERS Plan 1; however a portion of the PERS Plan 2 contribution is allocated by DRS to the PERS Plan 1 UAAL.*

PERS 2/3						
Statutorily or contractually required contributions	$ 156,688	$ 188,898	$ 178,033	$ 150,377	$ 130,194	$ 114,829
Contributions in relation to the statutorily or contractually required contributions	$ 156,688	$ 188,898	$ 178,033	$ 150,377	$ 130,194	$ 114,829
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,978,380	$ 2,453,764	$ 2,372,859	$ 2,225,365	$ 2,088,190	$ 2,080,719
Contributions as a percentage of covered payroll	7.92%	7.70%	7.50%	6.76%	6.23%	5.52%
SERS						
Statutorily or contractually required contributions	$ 13,809	$ 23,588	$ 22,781	$ 19,051	$ 18,586	$ 18,150
Contributions in relation to the statutorily or contractually required contributions	$ 13,809	$ 23,588	$ 22,781	$ 19,051	$ 18,586	$ 18,150
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 141,628	$ 255,001	$ 253,930	$ 230,922	$ 225,289	$ 220,000
Contributions as a percentage of covered payroll	9.75%	9.25%	8.97%	8.25%	8.25%	8.25%

** Until a full 10-year trend is compiled, the District will only present information for those years for which information is available*

Spokane Public Facilities District
Schedule of Changes in Total OPEB Liability and Related Ratios
Postemployment Healthcare Benefits through PEBB
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability - beginning	$ 1,851,203	$ 1,818,997	$ 1,762,541
Service cost	$ 100,078	$ 90,708	$ 111,640
Interest	$ 68,056	$ 73,645	$ 66,954
Changes in benefit terms	$ -	$ -	$ -
Differences between expected and actual experience	$ 286,233	$ (118,559)	$ (114,137)
Benefit payments	$ (13,759)	$ (13,588)	$ (8,001)
Other changes	$ -	$ -	$ -
Total OPEB liability - ending	$ 2,291,811	$ 1,851,203	$ 1,818,997
Covered-employee payroll	$ 2,925,100	$ 3,008,782	$ 2,786,494
Total OPEB liability as a % of covered payroll	78.35%	61.53%	65.28%

** Until a full 10-year trend is compiled, the District will only present information for those years for which information is available*

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Spokane Public Facilities District
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: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Spokane County)	COVID 19 - Coronavirus Relief Fund	21.019	n/a	1,485,053	-	1,485,053	-	
		Total Federal Awards Expended:		**1,485,053**	**-**	**1,485,053**	**-**	

The accompanying notes are an integral part of this schedule.

Spokane Public Facilities District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the accrual basis of accounting.

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – NONCASH AWARDS – PERSONAL PROTECTIVE EQUIPMENT "UNAUDITED"

The District received donated personal protective equipment and supplies for the COVID-19 pandemic response from Spokane County with a fair market value of $12,469. The CFDA number is 97.036.

SPOKANE VETERANS MEMORIAL ARENA SPOKANE CONVENTION CENTER FIRST INTERSTATE CENTER FOR THE ARTS

SPOKANE PUBLIC FACILITIES DISTRICT

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Spokane Public Facilities District
January 1, 2020 through December 31, 2020

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

Finding ref number: 2020-001	**Finding caption:** The District had inadequate internal controls for ensuring compliance with federal requirements for allowable activities and costs.
Name, address, and telephone of District contact person: Jennifer Kletke, Director of Human Resources W. 720 Mallon Avenue Spokane, WA 99201	
Corrective action the auditee plans to take in response to the finding: *We are responding regarding the audit findings for 2020, 21.019 COVID-19 Coronavirus Relief Fund. We disagree with the audit findings based on the following:* *The Promotional Hosting Items found in the Finding are substantially different from previously budgeted items. In the past the arena, individually, sent promotional items to a handful of agents, but it was done to garner attention. Think of it like the smallest kid in the back of a full classroom waiving their hand to be seen. The items had zero affiliation to the venue or Spokane and was just sent to hopefully start a conversation with an agent or promoter. Examples include Arena branded items like barbeque sauce for the summer, wine for Valentine's Day, and apples with caramel dip in the fall. Due to COVID,* ***ALL the SPFD buildings*** *were forced to add infrastructure that we never previously had, such as the upgraded HVAC system, digital ticketing, turning all our venues into cashless concessions, digital conference equipment, and added sanitation requirements. Both Sales Directors used these promotional boxes to get this*	

information delivered throughout the nation to all our major contacts responsible for bringing large acts, artists, and conventions back to Spokane to stimulate and generate an economic impact. These major contacts include Agents, Music Managers, Promoters, Third Party Concert Bookers, Third Party Meeting Planners, and Conference & Convention Meeting Planners. This was the ***first ever cohesive promotion*** *that the SPFD has ever created that captured* ***all our buildings*** *and all our major clients at one time. Every building has promoted itself separately until this moment due to COIVD.* *The packages were created to catch the recipients' attention with all the* ***LOCAL*** *gifts that were included in an advent calendar counting down to 2021 as we were all hoping and planning to reopen earlier in 2021. The packages included a flyer with some quick information on the new infrastructure that we put into the building (specific info on the building/s which the client books) and also a QR Code redirecting them back to our Safe & Sound reopening website (www.safeandsoundspokane.com). The site also highlights new policies in place to keep attendees safe while in all our buildings. The gifts did include alcohol as our business policy allows us to spend promotional hosting dollars on alcohol, and that the CARES Act policy for alcohol specifically states to follow our own business policies. As a Public Facilities District, this is legal for us to do just as it is for a Port Authority.* *This promotion was directly centered on reopening our buildings and the safety measures we put in place to be able to reopen in the middle of a pandemic. The promotion worked as we were able to book a couple conferences that didn't have homes due to the pandemic, reengaged conversations with agents and started new conversations with agents that had been moved around due to layoffs, thus bringing entertainment and convention business back to Spokane.* *Corrective Actions that will take place:* • *Develop internal controls for federal programs* • *Training for managing federal awards*
Anticipated date to complete the corrective action: Internal controls – December 2022 Training – September 2022

ABOUT THE STATE AUDITOR'S OFFICE

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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.

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