



***Comprehensive Annual Financial Report***  
***For the Fiscal Year Ended***  
***December 31, 2018***



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

***City of Spokane Valley, Washington***  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended**  
**December 31, 2018**

*Rod Higgins*  
*Mayor*

*Mark S. Calhoun*  
*City Manager*

*John Hohman*  
*Deputy City Manager*

*Chelsie Taylor*  
*Finance Director*

*Daniel C. Duffey*  
*Accounting Manager*

*City Hall*  
*10210 E. Sprague Ave.*  
*Spokane Valley, WA 99206*  
*Website: [www.spokanevalley.org](http://www.spokanevalley.org)*  
*Phone: (509) 720-5000*  
*Fax: (509) 720-5075*

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

## **Introductory Section**



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



**CITY OF SPOKANE VALLEY, WA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**CITY OF SPOKANE VALLEY TABLE OF CONTENTS**

---

<b>Letter of Transmittal.....</b>	<b>i</b>
<b>Organizational Chart .....</b>	<b>ix</b>
<b>List of Elected Officials and Department Directors/Division Managers .....</b>	<b>x</b>

**Financial Section**

<b>Independent Auditor's Report .....</b>	<b>1</b>
---	----------

<b>Management's Discussion and Analysis .....</b>	<b>7</b>
---	----------

**Basic Financial Statements**

*Government-Wide Financial Statements:*

<b>Statement of Net Position .....</b>	<b>21</b>
<b>Statement of Activities.....</b>	<b>22</b>

*Governmental Fund Financial Statements:*

<b>Balance Sheet - Governmental Funds .....</b>	<b>23</b>
---	-----------

<b>Reconciliation of Total Governmental Funds Balances to Statement of Net Position.....</b>	<b>25</b>
--	-----------

<b>Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....</b>	<b>26</b>
--	-----------

<b>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....</b>	<b>28</b>
--	-----------

*Proprietary Financial Statements:*

<b>Statement of Net Position - Proprietary Funds .....</b>	<b>29</b>
--	-----------

<b>Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds.....</b>	<b>30</b>
--	-----------

<b>Statement of Cash Flows - Proprietary Funds .....</b>	<b>31</b>
--	-----------

**Notes to Financial Statements**

<b>Notes index .....</b>	<b>34</b>
--------------------------	-----------

**Required Supplementary Section**

**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual:**

<b>General Fund.....</b>	<b>71</b>
--------------------------	-----------

<b>Street Fund .....</b>	<b>72</b>
--------------------------	-----------

<b>Schedule of Proportionate Share Net Pension Liability (three year trend) PERS 1 &amp; 2/3...</b>	<b>73</b>
---	-----------

<b>Schedule of Employer Contributions (three year trend) PERS 1 &amp; 2/3 .....</b>	<b>75</b>
---	-----------

**Supplementary Information**

<b>Non-major Governmental funds, Special Revenue Funds, defined .....</b>	<b>80</b>
---	-----------

<b>Non- major Governmental funds, Debt Service Fund, defined .....</b>	<b>81</b>
--	-----------

<b>Non- major Governmental funds, Capital Projects Funds, defined.....</b>	<b>82</b>
--	-----------

**Combining Financial Statements (Non-major):**

<b>Combining Balance Sheet all Non-major Governmental Funds .....</b>	<b>84</b>
---	-----------

<b>Combining Balance Sheet Non-major Special Revenue Funds .....</b>	<b>85</b>
--	-----------

## Supplementary Information – continued

Combining Balance Sheet Non-major Capital Projects Funds .....	87
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Governmental Funds .....	89
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Special Revenue Funds .....	90
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Debt Service LTGO Bonds Fund .....	92
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Capital Projects Funds .....	93
<b>Schedule of Revenues, Expenditures &amp; Changes in Fund Balances, Non-Major Budget &amp; Actual:</b>	
Trails & Paths & Tourism Facilities Hotel/Motel Special Revenue Funds .....	95
Hotel/Motel & Solid Waste Special Revenue Funds .....	96
Peg & CenterPlace Operating Reserve Special Revenue Funds .....	97
Service Level Stabilization & Winter Weather Reserve Special Revenue Funds .....	98
Debt Service LTGO Bonds Fund, Debt Service Funds .....	99
REET 1 & REET 2 Capital Projects Funds .....	100
Street Capital & Parks Capital Projects Funds .....	101
Civic Buildings & Pavement Preservation, Capital Projects Funds .....	102
City Hall Construction & Railroad Grade Separation, Capital Projects Funds .....	103
<b>Internal Service Funds defined.....</b>	<b>105</b>
Combining Statement of Net Position Equipment Rental & Replacement and Risk Management, Internal Service Funds .....	106
Combining Statement of Revenues, Expenses, and Changes in Net Position Equipment Rental & Replacement and Risk Management, Internal Service Funds .....	107
Combining Statement of Cash Flows Equipment Rental & Replacement and Risk Management, Internal Service Funds .....	108

## **Statistical Section**

<b>Statistical Section index .....</b>	<b>110</b>
Net Position by Component (last 10 fiscal years) .....	111
Changes in Net Position (last 10 fiscal years) .....	112
Fund Balances of Governmental Funds (last 10 fiscal years) .....	114
Changes in Fund Balances of Governmental Funds (last 10 fiscal years) .....	115
Assessed Value & Estimated Actual Value of Taxable Property .....	116
Direct & Overlapping Property Tax Rates Governments .....	117
Principal Property Taxpayers (current year & 10 years ago) .....	118
Property Tax Levy and Collections .....	119
Ratios of Outstanding Debt by Type .....	120
Ratios of General Bonded Debt Outstanding .....	121
Direct & Overlapping Governmental Units (District) Debt .....	122
City of Spokane Valley's Legal Debt Margin Information .....	123
Demographic and Economic Statistics .....	124
Principal Employers (current year & 10 years ago) .....	125
Full-time Equivalent (FTE) Employees by Function and Program .....	126
Operating Indicators by Function .....	127
Capital Asset Statistics by Function and Program .....	128

September 9, 2019

Honorable Mayor,  
Members of the City Council,  
And Citizens of the  
City of Spokane Valley, Washington

We are pleased to present the City's Comprehensive Annual Financial Report for the year ended December 31, 2018. This transmittal letter provides an overview of the report and financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it. The report is prepared in accordance with the Revised Code of Washington (RCW) 43.09.230. The City maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce accurate and fairly represented financial statements in accordance with generally accepted accounting principles.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed financial statements and all supporting schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

These financial statements have been audited by the Washington State Auditor's Office. This independent audit was conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards to provide an independent assessment of fair presentation of the City's financial position. The State Auditor's Office has issued an unqualified ("clean") opinion on the City's financial statements. The State Auditor's Office also performed the Federally-mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. An unqualified opinion was also issued for this audit. The independent auditor's reports are located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the State Auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### ***Profile of the Government***

The City of Spokane Valley, incorporated on March 31, 2003, is located near the eastern border of the State of Washington. With an estimated population of 96,720 (WA State Office of Financial Management, April 2019), Spokane Valley is the 10th largest city in Washington state. The

incorporation of Spokane Valley was the largest in the state and the 2nd largest single incorporation in U.S. history at the time. The incorporated area of Spokane Valley encompasses approximately 38.5 square miles of land area, with room for residential, commercial and industrial expansion. Within the incorporated city limits, there are about 461 miles of roadway. The City is a general-purpose government and provides public safety, street construction, pavement preservation, parks and recreation, stormwater, solid waste, and general administrative services.

The City of Spokane Valley is a non-charter code city and operates under a Council-Manager form of government. It is governed under the optional municipal code of RCW Chapter 35A. Under this form of government, legislative authority is concentrated in the elected City Council, which hires a professional administrator to implement its policies.

There are seven positions on the City Council, and all council positions are at-large positions. Councilmembers are generally elected to four-year terms, with elections held every two years. For continuity, position terms are staggered by two years so that all positions are not open for election at the same time. Biennially, at the first meeting of the calendar year, the City Council members choose a Mayor and a Deputy Mayor. Following is a list showing the Mayor and the six additional City Councilmembers and their term expiration dates as of December 31, 2018:

Member	Position	Employer/Occupation	Total Time Served	Current Term Expires
Lewis R. Higgins	Mayor	Retired	5.90 years	12/31/21
Pam Haley	Deputy Mayor	Business Owner	2.51 years	12/31/21
Brandi Peetz	Councilmember	Office Manager	1.13 years	12/31/19
Arne Woodard	Councilmember	Real Estate Broker	7.74 years	12/31/19
Ben Wick	Councilmember	IT Manager/Publisher	5.00 years	12/31/21
Sam Wood	Councilmember	Appraiser	3.00 years	12/31/19
Linda Thompson	Councilmember	Director	1.13 years	12/31/21

The City Council is required to adopt an initial budget for the fiscal year no later than December 31 preceding the beginning of the fiscal year on January 1. The annual budget includes the financial planning and legal authority to obligate public funds. Additionally, the budget provides significant policy direction by the City Council to the staff and community. As a result, the City Council, staff and public are involved in establishing the budget for the City of Spokane Valley.

The executive branch is led by the City Manager. The City Manager is hired by and is responsible to the City Council. The City Manager is responsible for overall administration of the City, such as carrying out City Council policy, administering the affairs of the City and directing, organizing, establishing, supervising and administering all departments, agencies, and offices of the City.

## ***Local economy***

The City is located in eastern Washington, in the central east area of Spokane County (the “County”), approximately 10 miles east of the City of Spokane (“Spokane”). Due to the City’s proximity to Spokane, the economy of the City is greatly influenced by Spokane’s economy. Spokane is the second largest city in the State with an estimated 2019 population of 222,000. The population of the County is estimated to be 515,250 in 2019. Both Spokane and the County have experienced steady annual growth in population.

Historically, much of the County’s economy relied heavily on the natural resource-related sectors of forest products and agriculture. While these industries continue to be important elements of the area’s economy, the County’s economy has diversified significantly due to the influx and growth of high technology firms, airlines, and service industries attracted by the region’s high quality work force.

Spokane serves as the economic hub of the County and as the regional trade center for an area commonly known as the “Inland Northwest,” consisting of portions of northeastern Washington, northern Idaho, western Montana and southern British Columbia in Canada. Spokane and its metropolitan area provide higher education and research opportunities, high quality healthcare facilities, extensive support services for area residents and businesses and a large downtown retail and business core.

Spokane County is the largest labor market in Eastern Washington and Northern Idaho. Spokane’s economy survived “The Great Recession” and emerged more diversified. Steady growth is forecasted for the future. Spokane’s recovery is being led by five industries – advanced manufacturing, health services, finance/insurance, transportation/warehousing and education. Without the advantage of mega employers, these five industries have medium sized employers that are flexible and efficient in their markets. The health sciences and future medical school development has been a game changer for Spokane-Spokane Valley MSA. High tech companies in manufacturing, scientific and technical industries are creating new jobs and expanding the economic base in 2018-2019. (Source: Washington State Employment Security Department Spokane County Profile)

In 2018 Amazon began construction on a fulfillment center which is expected to become operational by October 2019. This fulfillment center located on the West Plains of Spokane County is a 2.6 million-square-foot, four story robotic fulfillment center. While the construction of the facility is estimated to have created more than 700 construction related jobs, the larger employment impact is estimated to be around 1,500 jobs, with a potential influx during the peak season of up to 1,500 more. While the Amazon facility is not located in Spokane Valley, it is expected that this will have a positive impact on the region as a whole. (Source: [www.spokanejournal.com/local-news/amazon-maintains-aggressive-place-on-spokane-project/](http://www.spokanejournal.com/local-news/amazon-maintains-aggressive-place-on-spokane-project/))

The City has an extensive retail tax base and is home to several major auto dealerships and the Spokane Valley Mall, which includes over 700,000 square feet of gross leasable floor area. There are more than 8,600 businesses registered to do business in Spokane Valley, with estimated gross annual retail sales in 2018 of \$2.63 billion.

Spokane Valley prides itself on quality neighborhoods and schools, along with strong business and retail centers. Friendly people, natural surroundings and beautiful weather are part of what make Spokane Valley a favorite destination for visitors from all over the world. With all four seasons represented, we have an abundance of recreational activities. There are four distinct ski resorts, 75 lakes within an hour's drive, and many hiking and biking trails to enjoy.

Our region invests in all stages of education to instill a passion for knowledge that extends beyond the classroom and into the community. The result is a skilled workforce that is highly engaged, highly motivated, eager to make a difference and ready to get to work. K-12 schools have been recognized as leaders in the state and across the nation in K-12 education. Students can prepare for college and university coursework and earn college credits by taking elective advanced placement classes. Spokane Valley includes three school districts – East Valley School District, Central Valley School District, and West Valley School District. Combined they serve over 22,000 students in more than 40 schools. For the class of 2018, East Valley School District has a 79.0% graduation rate, Central Valley School District has an extended graduation rate of 88.2%, while West Valley School District's graduation rate is at 97.8%, all consistently among the region's best. (Source: <https://washingtonstatereportcard.ospi.k12.wa.us/ReportCard/ViewSchoolOrDistrict>) Additionally for the classes of 2017, 45% of East Valley School District students, 57% of Central Valley students, and 43% of West Valley Students go on to college. (Source: <https://erdc.wa.gov/data-dashboards/high-school-graduate-outcomes>)

The region is home to numerous universities and colleges, both public and private. Notable institutions include the private universities of Gonzaga and Whitworth. Two public Community Colleges serve students planning to transfer to a four-year institution and students looking for workforce training in high demand professions such as nursing, cooking and aviation maintenance. Eastern Washington University offers programs and student services in Cheney and at the Spokane campus. Both Washington State University and the University of Washington offer medical schools, along with other programs in their satellite campuses just east of downtown Spokane.

### ***Major initiatives***

The City Council established direction for the City when it drafted a vision statement for Spokane Valley: A community of opportunity where individuals and families can grow and play and businesses will flourish and prosper.

The vision statement served as a guide for developing the City's values, which are:

#### **Community Identity and Pride**

Spokane Valley promotes an environment that supports the home and family, and job and education opportunities.

#### **Focus on the Future**

Spokane Valley is a visionary city encouraging its citizens and their government to look to the future beyond the present generation, and to bring such ideas to public discussion, enhancing a sense of community identity.

## **Open, Collaborative Government**

Spokane Valley values a “user-friendly” government, in which governance practices and general operations consider how citizens will be served in the most responsive, effective and courteous manner.

### ***Long-term planning and Capital Projects***

As part of long-range planning and Washington State’s Growth Management Act (GMA), Spokane Valley developed a Comprehensive Plan. The Comprehensive Plan is the City’s official statement concerning its vision for future growth and development. The Plan comprises several individual elements. The City of Spokane Valley amends its Comprehensive Plan on an annual basis as permitted by State law. In addition to these regular amendments, the GMA requires counties and cities to periodically conduct a thorough review of their plans and regulations to bring them in line with any relevant changes in the GMA and to accommodate updated growth targets. Spokane Valley’s Comprehensive Plan was updated during 2016 and amended in 2017 and 2018.

To assist the City with long term financial planning, the City has adopted a set of Fiscal Policies that encompass both financial management and setting financial objectives. The City prides itself in being an example of how a City can function efficiently and economically while providing key services to the community.

The financial management policies that the City has adopted are multi-faceted. We will continue to provide basic levels of service with minimal resources. In order to accomplish this, many services are contracted. This helps keep personnel and overhead costs down by maintaining consistent staffing levels with minimal adjustment to respond to the ever changing economy. Continuing the annual process of creating a six-year business plan allows management and Council to see how the decisions that are made today affect what is possible in the future. To maintain flexibility for the future, the City continues with the pay as you go philosophy and minimal debt. This allows current dollars to be spent on current and future projects, instead of tying up future dollars with debt payment on current projects. To make the pay as you go philosophy work to its full extent, current spending is leveraged with grant funding as often as possible. Finally, we use the extensive annual budget process to prioritize spending to minimize changes and additions to appropriations during the year.

The financial management policies are in place to help the City meet the financial objectives. We maintain a General Fund Ending Balance of at least 50% of recurring expenditures. This is roughly the equivalent of six months of general fund operations and was determined as a result of cash flow analysis. The City has also established a Service Level Stabilization Fund that can be used to support City operations in times of economic hardship.

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at year end was 94.6% of recurring expenditures. This is above policy guidelines set by the Council. City policy also indicates that if ending fund balance is in excess of 50% of recurring expenditures, the City may consider spending down the excess on one time expenditures, generally capital in nature. Since this policy was adopted in 2013 through 2018, the City has transferred \$20,681,307 to our Capital Reserve Fund for use on various capital

projects, such as the Appleway Trail, new City Hall, and railroad grade separation projects at Barker and Pines roads.

Beginning in 2012, the City initiated a pavement preservation program that utilized funding from the General Fund, Real Estate Excise Taxes, and capital project fund reserves. In 2018, our citizens will again see an aggressive program of repaving our roadways. Some may question paving roads that “don’t look so bad.” The truth is the best time to repave is before a road deteriorates to the point that full reconstruction is necessary. Full reconstruction can cost substantially more than pavement preservation efforts. That is why the City of Spokane Valley has committed critical financial resources to preservation of our transportation infrastructure.

In addition to the focus on pavement preservation, the City has other major investments in capital projects in process and planned for the future. In 2014 the City started construction on the replacement of the deteriorating Sullivan Road West Bridge over the Spokane River. The project was substantially completed in spring of 2017. With the final grant paperwork having been finalized in early summer of 2018, the project was completed under the budgeted amount of \$15.83 million. The City would like to extend its thanks to the Federal Highway Administration, the Washington State Freight Mobility Strategic Investment board and the Washington State Transportation Improvement Board for their partnership in this much needed investment in our City’s infrastructure.

One of the primary safety, traffic congestion, and economic development concerns for the City are the multiple at-grade railroad crossings. The City’s focused efforts on finding funding for the Barker Road Grade Separation project has produced extraordinary results. In March of 2018, the City was informed it was awarded an additional \$9 million in 2018 TIGER funding. The Barker/BNSF grade separation project is one of just 41 projects nationwide to have received 2018 TIGER funding, and is the only one in the state of Washington. This funding brings the total amount of grant funding from both state and federal agencies for this project to \$21.3 million. With the budgeted city funds of \$3.6 million for this project is fully funded.

The City also continues its plans for another major grade separation project at Pines Road. With a current estimated cost for this project of about \$29 million, the City will require multiple partners to complete the crossing. Efforts to find partners has nearly accumulated \$3.2 million from two separate federal agencies for this project. An additional \$3.2 million in City funds have also been set aside for this project. With the currently available funds, work on the design is moving forward.

Parks and trails are also getting major investments as the City continues work on the implementation of the Browns Park Master Plan and the construction of the Appleway Trail. Browns Park is an 8.2-acre park located at the corner of Pines Road and 32nd Ave., and it currently features sixteen sand volleyball courts and a basketball court, in addition to other park features. The updated Parks and Recreation Master Plan recommends developing Browns Park as a destination sand volleyball complex for our region. This has been accomplished with the completion of the final eight sand volleyball courts in 2018. The park’s splashpad was added in 2017 to serve the younger members of the community. Park improvements scheduled to be constructed in 2019 include a new perimeter path with lighting, two new picnic shelters, new restroom and a skate dot.

Construction of the Appleway Trail has transformed the abandoned Milwaukee Railroad right-of-way into a paved multi-use pathway that runs east-west through the Sprague Avenue corridor. In 2012, the city began securing the necessary agreements and funding to develop the trail. A path completed in 2008 from Corbin Road to the city's eastern boundary was incorporated into the design. With Phase 1 of the new multi-use Appleway Trail having been completed in 2016, the City began work on two additional sections of the trail. While Phase 1 travels along the former Milwaukee railroad corridor from University Road to Pines Road, work in 2017 extended the trail to Evergreen. In 2018, the section from Sullivan to Tschirley was completed. In summer 2019, the city will complete the final trail section (Evergreen to Sullivan) of the 5.1 mile stretch from University Road to Liberty Lake. The multiuse pathway will be bordered with greenspace, and other features to create a linear park along the length of the trail. All sections of the trail are funded through a combination of City funds, federal grants, and state grants.

In March of 2019, the City of Spokane Valley adopted the Northeast Industrial Area Planned Action Ordinance (NIA-PAO) creating Chapter 21.60 of the Spokane Valley Municipal Code (SVMC). The purpose of the NIA-PAO was to further streamline the City's permit process by allowing industrial development projects to use the City's completed environmental analysis under the State Environmental Policy Act. The project was funded by a competitive grant from the Washington State Department of Commerce for \$114,200 and is expected to expedite the development of over 600 acres of industrial property. An economic impact analysis estimated that the development of this area would result in \$2 billion in economic output to Washington State, 9,800 new jobs, \$12.3 million in general fund revenues to the City and \$50.8 million in general fund revenues to Washington State over a 25-year period. As of July 2019, two projects have taken advantage of the analysis, Katerra and the Spokesman Review Printing Facility.

#### *Acknowledgements*

The preparation of the annual financial report was made possible by the dedicated efforts of the entire staff of the finance department and by the cooperation of the other City departments. Each staff member has our sincere appreciation for the contributions made in the preparation of this report. Without their assistance, this report would not have been possible. In closing, we would also like to thank the Spokane Valley City Council and the City Manager for their interest and support of our efforts to improve the City's Comprehensive Annual Financial Report.

Sincerely,



Chelsie Taylor, CPA  
Finance Director  
City of Spokane Valley

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

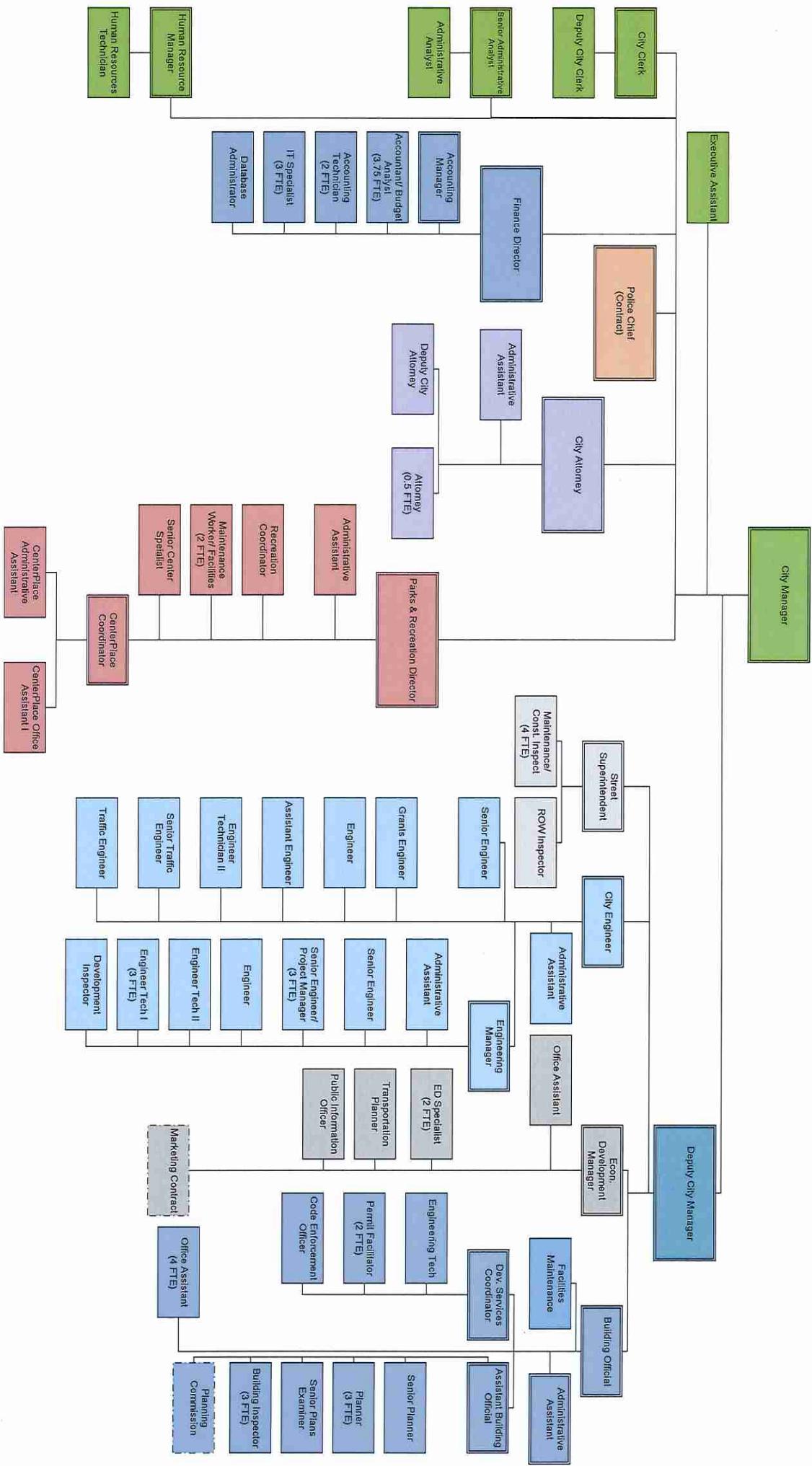
---

*This page is intentionally blank*



# ***City of Spokane Valley, Washington Comprehensive Annual Financial Report - Fiscal Year 2018***

## *Organizational Chart*



**City of Spokane Valley, Washington**  
***List of Elected Officials and Department Directors***  
**December 31, 2018**

***Elected Officials***



---

**2018 City Council**

*I to r (front row to back row)*

**Sam Wood (Position 6), Ben Wick (Position 4), Arne Woodard (Position 3), Brandi Peetz (Position 2),  
Mayor Rod Higgins (Position 1), Linda Thompson (Position 7), Deputy Major Pam Haley (Position 5)**

---

---

***Department Directors and Division Managers***

---

City Manager	Administration Department	Mark Calhoun
City Attorney	Administration Department	Cary Driskell
Deputy City Manager	Administration Department	John Hohman
City Clerk	Administration Department	Chris Bainbridge
Finance Director	Finance Department	Chelsie Taylor
Human Resources Manager	Administration Department	John Whitehead
Police Chief	Police Department	Mark Werner
Fire Chief	Fire Department	Bryan Collins
Parks & Recreation Director	Parks & Recreation Department	Mike Stone
City Engineer	Engineering	Bill Helbig
Engineering Manager	Engineering	Gloria Mantz
Senior Engineer	Engineering	Henry Allen
Senior Engineer	Engineering	Chad Riggs
Senior Engineer-Traffic	Engineering	Ray Wright
Public Works Maintenance Superintendent	Engineering	Shane Arlt
Senior Planner	Community & Public Works	Lori Barlow
Economic Development Manager	Economic Development	Mike Basinger
Senior Transportation Planner	Economic Development	Colin Quinn-Hurst
Public Information Officer	Economic Development	Annie Gannon
Building Official	Building Division	Jenny Nickerson
Assistant Building Official	Building Division	Michael Froemming

***City of Spokane Valley, Washington Comprehensive  
Annual Financial Report - Fiscal Year 2018***

---

***Financial Section***



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*





## Office of the Washington State Auditor Pat McCarthy

### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

September 5, 2019

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

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

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

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, as of December 31, 2018, 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.

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

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Supplementary Information is presented for the purposes of additional analysis and are 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 financial statements.

This information has been subjected to 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 financial statements or to the 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated September 5, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with "Pat" on the left and "McCarthy" on the right, connected by a flourish.

Pat McCarthy

State Auditor

Olympia, WA

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank.*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

***Management's Discussion and Analysis***



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank.*



**CITY OF SPOKANE VALLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2018**

As management of the City of Spokane Valley, Washington, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. All amounts in this discussion and analysis, unless otherwise indicated, are expressed in thousands of dollars. Also, this discussion contains comparative analysis based on information from the prior year.

**FINANCIAL HIGHLIGHTS**

The key financial highlights for 2018 are as follows:

The City of Spokane Valley's financial position improved. At the end of the current fiscal year, assets exceeded liabilities by \$188,598 thousand (*net position*). Of this amount, \$61,381 thousand represents the primary government's unrestricted net position, which may be used and is available to meet the City's ongoing activities and obligations to the citizens and creditors.

The City of Spokane Valley's total net position from Governmental and Business-type activities increased \$19,585 thousand or 11.59% from the prior fiscal year, primarily explained by revenues continuing to outpace expenditures and the current year's increase in the City's net investment in capital assets.

At the close of the current fiscal year, the City of Spokane Valley's governmental funds reported combined fund balances of \$68,044 thousand, an increase of \$10,632 thousand in comparison with the prior year. Approximately 62.34% of this amount or \$42,417 thousand (*unassigned fund balance*) is available for spending at the City's discretion.

Also, at the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$42,417 thousand, or approximately 114.92% of the total general fund expenditures, and the net change in actual fund balance increased by \$3,154 thousand during the current fiscal year.

Total long-term liabilities for Governmental type activities decreased by \$2,517 thousand to \$16,633 thousand during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The following figure summarizes the major features of the financial statements. This overview section below also describes the structure and contents of each of the statements in more detail.

	<b>Government-wide Statement</b>	<b>Fund Financial Statements</b>	
		<b>Governmental</b>	<b>Proprietary</b>
<b>Scope</b>	Entire entity (except fiduciary funds)	The day to day operating activities of the City for basic governmental services	The day to day operating activities of the City for business-type enterprises
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
<b>Type of asset and liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
<b>Type of deferred inflow and deferred outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues when cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

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

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

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

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

### ***Fund Financial Statements***

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

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

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

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

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

The City's two *Internal Service Funds*; Equipment Rental and Replacement and Risk Management accounts for the accumulated and allocated internal costs of fleet vehicles, computer equipment, and insurance claims. Also, both provide internally for the goods and services among the City's various

departments and functions. Because both of these services predominantly benefit governmental-type functions rather than business-type functions in nature, they have been included within *governmental-type activities* in the government-wide financial statements.

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

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

#### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules for other governmental and internal service funds. This information can be found in the supplemental section of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

***Statement of net position*** – As noted earlier, net position over time, may serve as a useful indicator of the City of Spokane Valley’s financial position. The City’s total assets and deferred outflows exceeded total liabilities and deferred inflows by \$188,598 thousand as of December 31, 2018. The following table summarizes and compares the City’s net position for 2018 and 2017 (*see Table 1, below*):

<i>Table 1</i>	City of Spokane Valley’s Net Position (amounts in thousands)					
	Governmental		Business-type			
	Activities	Activities	Activities	Activities	2018	2017
Current and other assets	\$ 77,220	\$ 69,800	\$ 4,575	\$ 4,212	\$ 81,795	\$ 74,012
Capital assets (net of depreciation)	122,027	115,055	6,915	6,344	128,941	121,399
<b>Total assets</b>	<b>199,247</b>	<b>184,855</b>	<b>11,490</b>	<b>10,556</b>	<b>210,736</b>	<b>195,411</b>
<b>Total deferred outflows of resources</b>	<b>574</b>	<b>688</b>	<b>25</b>	<b>40</b>	<b>599</b>	<b>728</b>
Long-term liabilities	16,633	19,150	144	300	16,777	19,450
Other liabilities	4,012	6,322	334	519	4,346	6,841
<b>Total liabilities</b>	<b>20,645</b>	<b>25,472</b>	<b>478</b>	<b>819</b>	<b>21,123</b>	<b>26,291</b>
<b>Total deferred inflows of resources</b>	<b>1,549</b>	<b>788</b>	<b>65</b>	<b>46</b>	<b>1,614</b>	<b>834</b>
Net position:						
Net investment in capital, assets	108,679	101,125	6,915	6,344	115,594	107,469
Restricted	11,622	8,833	1	-	11,623	8,833
Unrestricted	57,326	49,325	4,055	3,386	61,381	52,711
<b>Total net position</b>	<b>\$ 177,627</b>	<b>\$ 159,283</b>	<b>\$ 10,971</b>	<b>\$ 9,730</b>	<b>\$ 188,598</b>	<b>\$ 169,013</b>

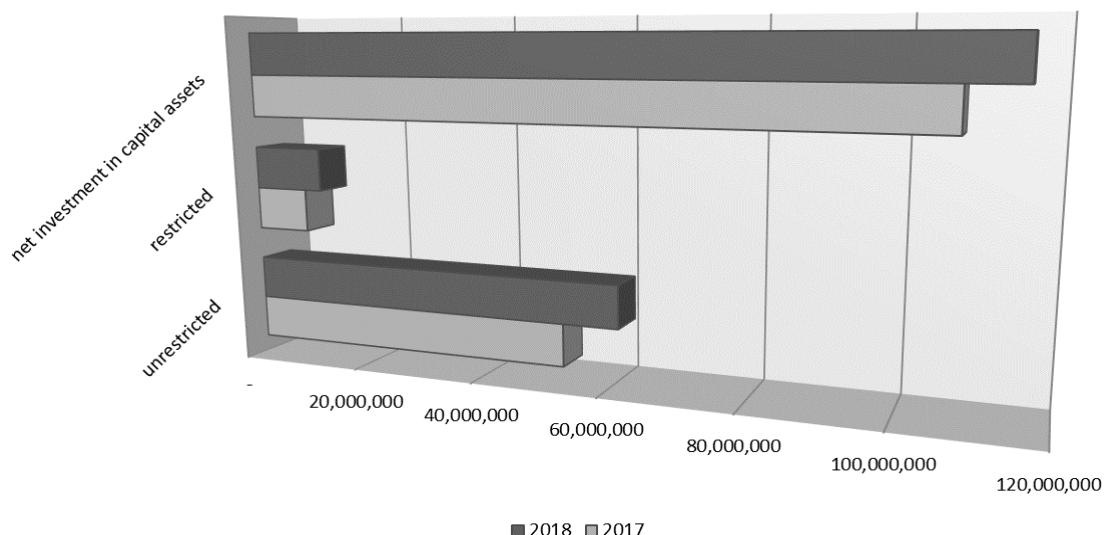
In this case, as of December 31, 2018, the Primary Government’s assets and deferred outflows exceeded liabilities and deferred inflows by \$177,627 thousand in governmental activities and \$10,971 thousand in business type activities. The largest portion of the City’s net position, at 61.29%, is its investment in capital assets of \$115,594 thousand. This represents land and land improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure, less any related outstanding debt that was used to acquire those assets.

The City of Spokane Valley uses these capital assets to provide a variety of services to its citizens. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that

the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The majority of these capital assets were donated by Spokane County at the time of incorporation in 2003. The portion of the City of Spokane Valley's net position classified as restricted are resources that are subject to external restrictions on how they may be used. At \$11,623 thousand and 6.16% of total net position this is the smallest share of the City's net position. The remaining balance of \$61,381 thousand or 32.55% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

### **City of Spokane Valley's Net Position December 31, 2018 and 2017**



The City of Spokane Valley's total net position has increased by \$19,585 thousand or 11.59% from the prior year. This is primarily explained by revenues outpacing expenditures. More discussion will follow for the overall increase in net position in the sections for governmental-type and business-type activities.

**Governmental-type Activities** – During the current fiscal year total net position for governmental activities increased by \$18,344 thousand from the prior year for an ending balance of \$177,627 thousand. The increase in the overall net position of governmental activities is the result of management taking various steps (e.g., holding expenditures to levels consistent with prior years) as well as an increase in revenues from sales taxes and grants to achieve such positive effects on the governmental activities ending net position. The City's capital grants and operating grants and contribution revenues from Federal and State sources made up the third largest sources of revenue combined, \$9,733 thousand or 14.28% of total governmental activities revenues.

The major recipients of intergovernmental program revenues were the Transportation and Culture & Recreation functions of the primary government. Property tax general revenues in the governmental funds account for \$11,671 thousand of the \$68,179 thousand total revenues (less transfers) for governmental-type activities, or 17.12% of total revenues, and the property tax general revenues increased by \$69 thousand. Sales Tax general revenue accounted for approximately \$25,803 thousand

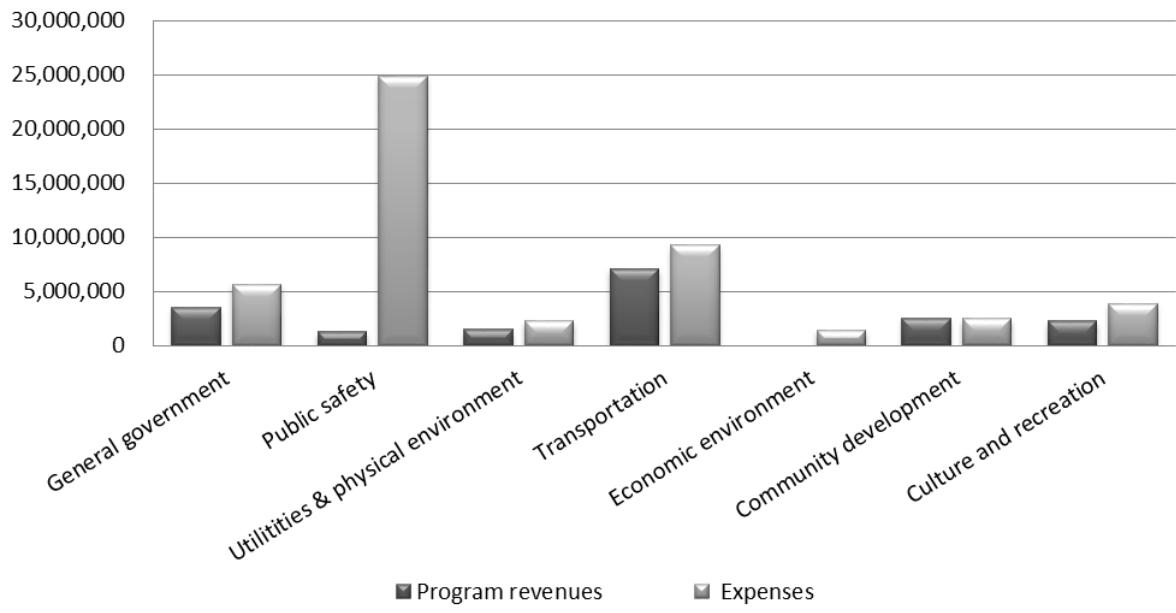
or 37.85% of total revenues in year 2018, the largest single source of revenue for the City of Spokane Valley. Excise and other taxes received were Real Estate Excise Taxes of \$3,910 thousand, Liquor Board Excise Tax of \$1,274 thousand, Telephone Utility Tax of \$1,855 thousand, Marijuana Excise Taxes of \$259 thousand, Leasehold Excise Taxes of \$17 thousand, and Gambling Taxes of \$364 thousand, Hotel/Motel Taxes of \$1,066 thousand and Motor Fuel Excise Taxes of \$2,222 thousand for a General revenue share of \$10,967 thousand or 16.09% of total Program and General revenues.

The Transportation function accounted for \$9,248 thousand of the \$49,848 thousand in total expenses for governmental activities, or 18.55% of the total in expenses. The largest function was Public Safety, accounting for \$24,879 thousand and representing 49.91% of total governmental expenses and an increase of 15.27% in contracted Law Enforcement services compared to the prior year (*see table 2, below*).

**Table 2** City of Spokane Valley's Changes in Net Position  
as of December 31, 2018 and 2017 (amounts in thousands)

Revenues	Governmental				Business-type		% Change
	Activities		Activities		Total		
	2018	2017	2018	2017	2018	2017	
<b>Program revenues</b>							
Charges for services	\$ 8,635	\$ 7,813	\$ 1,921	\$ 1,895	\$ 10,556	\$ 9,708	8.7%
Operating grants & contributions	535	702	463	784	998	1,486	-32.8%
Capital grants & contributions	9,198	6,819	726	97	9,924	6,916	43.5%
<b>General revenues</b>							
Taxes	48,441	44,548	-	-	48,441	44,548	8.7%
Donation of capital assets	239	-	-	-	239	0	0.0%
Gain on sale of capital assets	28	-	-	-	28	0	0.0%
Interest & investment earnings	1,103	515	69	31	1,172	546	114.7%
<b>Total revenues</b>	<b>68,179</b>	<b>60,397</b>	<b>3,179</b>	<b>2,807</b>	<b>71,358</b>	<b>63,204</b>	<b>12.9%</b>
<b>Expenses</b>							
General government	5,141	5,155	-	-	5,141	5,155	-0.3%
Public safety	24,879	21,583	-	-	24,879	21,583	15.27%
Utilities & physical environment	2,295	4,500	-	-	2,295	4,500	-49.0%
Transportation	9,248	9,330	-	-	9,248	9,330	-0.9%
Economic environment	1,417	1,095	-	-	1,417	1,095	29.4%
Community development	2,486	1,355	-	-	2,486	1,355	83.5%
Culture and recreation	3,887	3,692	-	-	3,887	3,692	5.3%
Interest on long term debt	495	509	-	-	495	509	-2.8%
Aquifer protection area	-	-	177	171	177	171	3.5%
Stormwater management	-	-	1,748	1,960	1,748	1,960	-10.8%
<b>Total expenses</b>	<b>49,848</b>	<b>47,219</b>	<b>1,925</b>	<b>2,131</b>	<b>51,773</b>	<b>49,350</b>	<b>4.9%</b>
Increase (decrease) in net position before transfers	18,331	13,178	1,253	676	19,584	13,854	41.4%
Transfers In (out)	13	13	(13)	(13)	-	-	0.0%
Increase (decrease) in net position	18,344	13,191	1,240	663	19,584	13,854	41.4%
<b>Net position - beginning</b>	<b>159,283</b>	<b>146,092</b>	<b>9,731</b>	<b>9,068</b>	<b>169,014</b>	<b>155,160</b>	
<b>Net position - ending</b>	<b>\$ 177,627</b>	<b>\$ 159,283</b>	<b>\$ 10,971</b>	<b>\$ 9,731</b>	<b>\$ 188,598</b>	<b>\$ 169,014</b>	

## Program Revenues and Expenses - Governmental Activities



Transportation activity capital grants increased the current year by \$1,932 thousand compared to last year and primarily due to reimbursement schedules for various projects. (*refer to the preceding graph*).

**Business-type Activities** – For the City of Spokane Valley’s business-type activities, the results for the current fiscal year were positive in that the overall net position increased to reach an ending balance of \$10,971 thousand. The increase in net position for business-type activities (stormwater and aquifer protection funds) was \$1,240 thousand from the prior fiscal year. This is an increase in net position of 12.74% from the prior fiscal year. The increase in fund balance is indicative of revenues continuing to exceed expenditures. Overall, revenues for the business type activities were up compared to the previous year. In 2018 there were \$726 thousands Capital grants contributions compared to \$97 thousands in 2017. Additionally, operating grants and contributions decreased by (\$321) thousand. Charges for services increased by \$26 thousand from 2017. Expenditures decreased by \$206 thousand for 2018 total. In the business-type funds, the major program revenue sources were *charges for services* of \$1,921 thousand for the Stormwater Management Fund. This revenue consists primarily of the Stormwater Management Fee imposed upon real property. *Intergovernmental revenues* of \$1,189 thousand are mostly related to the Aquifer Protection Area Fund consisting of the Aquifer Area Protection Fee mandated by the voting public.

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

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

**Governmental Funds** - The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the year and represent the portion of fund

balance which has not been limited to use for a particular purpose by either an external party, the City of Spokane Valley itself, or from a group or individual that has delegated authority to assign these resources to be used for particular purposes by the City of Spokane Valley's Council.

As of December 31, 2018, the City's total governmental funds reported a combined ending fund balance of \$68,044 thousand, a net increase of \$10,632 thousand in comparison with the prior year. Approximately 62.34% of this amount or \$42,417 thousand is composed of *unassigned fund balance*, which is available for spending at the City's discretion. The City's remainder or residual fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not spendable in form (\$159 thousand), 2) restricted for particular purposes (\$11,114 thousand), 3) committed for particular purposes (\$500 thousand) assigned for particular purposes (\$13,854 thousand) *See tables 3 and 4 below.*

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

Table 3	General Fund Components of Fund Balance	
	December 31, 2018 & 2017 (amounts in thousands)	
	2018	2017
Unassigned	\$ 42,417	\$ 39,336
Assigned	-	-
Restricted	44	38
Nonspendable	157	90
<b>Total fund balances</b>	<b>\$ 42,618</b>	<b>\$ 39,464</b>

At the end of 2018, unassigned fund balance was \$42,417 thousand, while total fund balance increased to \$42,618 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental funds expenditures. Unassigned fund balance in the general fund represents approximately 73.66% of the total governmental funds expenditures, while total general fund balance of \$42,618 thousand represents approximately 74.01% of that same amount in total governmental funds expenditures *See table 3, above.*

Table 4	All Remaining Governmental Funds Components of Fund Balance	
	December 31, 2018 & 2017 (amounts in thousands)	
	2018	2017
Unassigned	\$ -	\$ -
Assigned	13,854	9,584
Committed	500	5
Restricted	11,070	8,348
Nonspendable	2	11
<b>Total fund balances</b>	<b>\$ 25,426</b>	<b>\$ 17,948</b>

### Major Governmental Funds

***The General Fund*** – The fund balance of the City of Spokane Valley's general fund increased by \$3,154 thousand, compared to last year, for the fiscal year ending December 31, 2018. In the Budget to Actual Schedule, revenues trended higher than expected in the 2018 budget by \$3,656 thousand, while the total expenditures were \$2,602 thousand (including transfers in/out) less than the amended budget. Ultimately, the General Fund in the Governmental funds statement reports an increase in excess of

revenues over expenditures, positive variance with final budget over of \$6,257 thousand compared to the last fiscal year of 2017 of \$8,451 thousand.

**The Street Fund** – had an ending actual fund balance of \$785 thousand, a net change in fund balance of negative (\$282) thousand compared to the prior year. The primary source of revenues for the Street fund is the Telephone Utility taxes of \$1,855 thousand and the Motor Vehicle Gas tax of \$2,063 thousand in Intergovernmental revenues collected. The change from the prior year was a decrease of (6.44%) for Telephone Utility taxes and a increase of .54% for Motor Vehicle Gas tax. Expenditures (including transfers out) outpaced revenues, which contributed to the slight decrease in ending fund balance compared to last year.

**Street Capital Projects Fund** – had an ending fund balance of \$67 thousand. Actual expenditures were \$3,171 thousand less than the final budgeted projections. Overall, the net change in fund balance was less than the final budgeted projections for 2018.

**Capital Reserves Fund** – had an ending fund balance of \$8,975 thousand. Actual expenditure for the year totaled \$37 thousand. The initial source of funds was a general fund transfers of \$10,060 thousand to use for various council approved projects. The fund balance also includes \$405 thousand of proceeds on sale of land.

**Proprietary Funds** - The City's enterprise funds, **Stormwater Management** and **Aquifer Protection Area** provide the same type of information found in the government-wide financial statements, and are also *major proprietary funds*. Unrestricted net position of the Stormwater Management Fund at December 31, 2018, was \$2,215 thousand and for the Aquifer Area Protection fund was \$1,840 thousand.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

*Original budget compared to final budget:* By State law, Title 35A of the Revised Code of Washington (RCW) requires all cities to prepare and adopt a balanced budget prior to the beginning of the City's fiscal year; the annual operating budget for the City is effective the first day of January. The City Council amended the original budget revenue and expenditures twice during 2018 due to updates in budget estimates and timing differences in expenditures during the fiscal year.

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

#### **2018 Budget to Actual Comparison (amounts in thousands)**

<b>Revenue Source</b>	<b>Final Estimated</b>		<b>Actual</b>	
	<b>Revenues</b>		<b>Revenues</b>	<b>Difference</b>
Taxes	\$ 35,765		\$ 37,712	\$ 1,947
Licenses and permits	2,895		3,929	1,034
Intergovernmental revenues	2,165		2,530	365
Charges for services	588		658	70
Fines & forfeitures	633		468	(165)
Investment Interest	136		691	555
Miscellaneous	742		592	(150)
	<b>\$ 42,924</b>		<b>\$ 46,580</b>	<b>\$ 3,656</b>

In the General Fund, the variance between actual expenditures and the final amended budget was a savings in expenditures of \$2,599 thousand giving the City a positive variance in excess of revenues

over expenditures of \$6,255 thousand for 2018. Actual negative revenue variances in Fines & forfeitures of (\$165) thousand, and miscellaneous of (\$150) thousand coupled with revenue increases in tax revenue of \$1,947 thousand, licenses and permits of \$1,034 thousand, intergovernmental revenues of \$365 thousand, charges for services \$70 thousand and investment interest of \$555 thousand paired with a positive variance in revenues over expenditures contributed overall to an increase in fund balance of \$3,154 thousand for the fiscal year of 2018.

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

**Capital Assets:** The City of Spokane Valley's investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$128,942 thousand (net of depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and construction in progress. The total increase in the city's investments in capital assets for the current fiscal year was \$7,543 thousand or 6.2% (*see table 5, following*).

Table 5:	City of Spokane Valley's Capital Assets (net of depreciation, amounts in thousands)									
	Governmental Activities		Business-type Activities		Total				Total % Change	
	2018	2017	2018	2017	2018	2017	2018	2017	2018-2017	
Land	\$ 9,607	\$ 9,220	\$ 6	\$ -	\$ 9,613	\$ 9,220			4.3%	
Buildings & leasehold improvements	20,906	21,483	285	297	21,191	21,780			-2.7%	
Improvements other than Buildings	5,710	5,987	-	-	5,710	5,987			-4.6%	
Infrastructure	79,934	72,708	6,372	5,934	86,306	78,642			9.7%	
Machinery and Equipment	2,086	2,212	17	22	2,103	2,234			-5.9%	
Construction in Progress	3,783	3,445	236	91	4,020	3,536			13.7%	
<b>Total</b>	<b>\$ 122,027</b>	<b>\$ 115,055</b>	<b>\$ 6,915</b>	<b>\$ 6,344</b>	<b>\$ 128,942</b>	<b>\$ 121,399</b>			<b>6.2%</b>	

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

- A 4.3% increase in land totaling \$393 thousand is primarily the result of land donated by a citizen for a new park. The estimated fair value for the land was \$239 thousand.
- Construction in Progress increased by 13.7% or \$484 thousand due to the continuation and beginning for several construction projects.
- Infrastructure increased 9.7% or \$7,664 thousand for 2018 due mostly to the completion of several street construction and street preservation projects.
- Other categories of Capital Assets had decreases of less than 10%, primarily as a result of depreciation expense for the year.

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

**Long-Term Liabilities** – At December 31, 2018, the City had total Limited Tax General Obligation debt outstanding of \$12,270 thousand. This amount is backed by the full faith and credit of the City of Spokane Valley with debt service funded by general government revenues and contributions from the Public Facilities District. The City's general obligation bonds decreased by \$520 thousand or (4.1%) during fiscal year 2018. (*See table 6, below*).

Table 6

**City of Spokane Valley's Outstanding Debt**  
(amounts in thousands)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	
							2018-2017
General obligation bonds	\$ 12,270	\$ 12,790	\$ -	\$ -	\$ 12,270	\$ 12,790	-4.1%
Bond premium	1,078	1,140	-	-	1,078	1,140	-5.4%
Compensated absences	563	505	31	25	594	530	12.1%
Net pension plan liabilities (GASB 68)	2,721	4,715	114	275	2,835	4,990	-43.2%
<b>Total</b>	<b>\$ 16,632</b>	<b>\$ 19,150</b>	<b>\$ 145</b>	<b>\$ 300</b>	<b>\$ 16,777</b>	<b>\$ 19,450</b>	<b>-13.7%</b>

In addition to the general obligation bonded debt and premium, the City's long-term liabilities also include compensated absences (vacation accruals) and net pension liabilities. Additional information on the City's long-term debt can be found in **Note 9 (Long-Term Obligations and Leases)** in the notes to the financial statements.

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

The 2017 assessed valuation of the City of Spokane Valley for the levy year of 2018, for purposes of determining the legal debt margin is 8,634,114 (in thousands). Remaining debt capacities for the City under general voted and non-voted purposes (2.5%) is limited to: \$634,783 (in thousands).

The City of Spokane Valley maintains an Aa2 rating from Moody's for its non-voted general obligation debt. Additional information regarding debt limitations and capacities can be found in **Note 9 (Legal Debt Margin)** in the notes to the financial statements.

### **ECONOMIC FACTORS**

The following economic factors currently affect the City of Spokane Valley and were considered in developing the 2018-2019 fiscal year budgets.

The outlook for the City of Spokane Valley economy was projected based on statistics generated in Spokane County. There is estimated to be over 5,149 businesses located in Spokane Valley with estimated taxable retail sales of \$2.6 billion for 2018. The City of Spokane Valley received \$25,658 thousand, an increase of \$1,783 thousand from the prior year, in general sales tax dollars for 2018.

Overall, Spokane County gained about 5,000 jobs in 2018. The current year's increase in jobs left the county with an estimated average of 231,302 jobs for the year, which has surpassed the peak year of 2009 with 215,910 jobs. This builds on the 6,700 positions from 2017 and brings the County's area wide unemployment rate to down an additional .1% to 5.4%. Spokane County's fastest growing non-farm employment sector is construction, followed closely by production. These sectors are predicted to grow the most through 2020. Population growth has been steady within the City of Spokane Valley, increasing to 95,810 and growing 6.7% since 2010.

The total number of single family residential building permits in the Spokane County area-wide region (including the City of Spokane and the City of Spokane Valley) increased to 1,346 in 2018, from 1,283 issued in 2017. Additionally, total 2018 nonresidential building permits issued by the City of Spokane Valley were 475 compared to 430 in 2017.

The Real Estate market continues its upswing from the most recent low of 2011. Spokane County home sales have increased to 8,258. With an average selling price of \$255,120, single family home sale prices are at the highest over the past 16 years with 2007 being the previous high at \$211,872. For The median price of a home in the Spokane metropolitan area was approximately \$239,500 in 2018, which is roughly \$7,000 lower than the U.S. median price of \$246,500.

The City of Spokane Valley's assessed value increased 6.3% to \$8.6 billion in 2018. The City's property tax levy rate for 2018 was near \$1.3672 per thousand of assessed value.

The City of Spokane Valley contracts with Spokane County and several public service districts for many city services including street maintenance, public safety, library, and fire protection. This allows the City to hold the number of full-time employees to 89.25 Employee salaries and related benefits are the leading cost for much of the city's operations. In a 2015 study, a comparison of 31 cities with a populations of 100,000 or less was conducted within the State of Washington and the City of Spokane Valley had the fewest number of employees based on Washington cities with a population greater than 50,000 and over.

No significant general fund tax increases were implemented in 2018. The telephone utility tax of 6% continues to be collected during 2018 in the City's Street Fund.

During the fiscal year of 2018, unassigned fund balance in the general fund was \$42,417 thousand. As noted in the City of Spokane Valley's 2019 budget document, the total recurring 2019 general fund expenditure budget is \$41,691 thousand as compared to \$40,902 thousand in 2018. This means that the general fund recurring expenditure budget only increased by 1.93% as compared to 2018. The 2019 budget presumes service levels that are consistent with those provided in 2018 with neither significant enhancements nor reductions in any area of operations.

#### **REQUEST FOR INFORMATION**

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

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

***City of Spokane Valley, Washington Comprehensive  
Annual Financial Report - Fiscal Year 2018***

---

***Basic Financial Statements***



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



**City of Spokane Valley, Washington**

**Statement of Net Position**

**December 31, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>		<b>Business-type Activities</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 67,346,606	\$ 4,409,621	\$ 71,756,227
Taxes receivable	6,129,284	50,387	6,179,671
Taxes delinquent-receivable	100,285	-	100,285
Accounts receivable, (net)	1,563,541	-	1,563,541
Interest receivable	116,759	7,679	124,438
Grants receivable	1,329,087	86,886	1,415,973
Due from other funds	126,000	-	126,000
Prepaids	508,269	19,815	528,084
Capital Assets:			
Land	9,607,027	5,800	9,612,827
Depreciable assets, (net)	108,636,575	6,673,040	115,309,615
Construction in progress	3,783,388	236,306	4,019,694
<b>Total Assets</b>	<b><u>199,246,821</u></b>	<b><u>11,489,534</u></b>	<b><u>210,736,355</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Total deferred outflows of resources</b>	<b><u>573,903</u></b>	<b><u>25,009</u></b>	<b><u>598,912</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,660,869	\$ 134,372	\$ 2,795,241
Interest payable	36,946	-	36,946
Due to other funds	126,000	-	126,000
Deposits and other payables	594,267	79,022	673,289
Other accrued liabilities	593,636	23,953	617,589
Unearned revenues	-	96,705	96,705
Long-term liabilities:			
Due within one year	630,559	768	631,327
Due in more than one year	13,280,853	29,942	13,310,795
Net pension plan liabilities	2,721,230	113,619	2,834,849
<b>Total Liabilities</b>	<b><u>20,644,360</u></b>	<b><u>478,381</u></b>	<b><u>21,122,741</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>Total deferred inflows of resources</b>	<b><u>1,549,348</u></b>	<b><u>64,801</u></b>	<b><u>1,614,149</u></b>
<b>NET POSITION</b>			
Net Investment in capital assets	108,678,879	6,915,146	115,594,025
Restricted for:			
Capital projects, REET, roads & streets, solid waste	8,651,068	-	8,651,068
Parks & recreation programs	51,244	-	51,244
Hotel/motel tourism facilities	1,918,072	-	1,918,072
Hotel/motel tourism promotion	277,929	-	277,929
Comcast PEG, communications	84,831	-	84,831
City hall construction	87,636	-	87,636
Trails & paths	5,417	-	5,417
HRA AWC	37,821	1,527	39,348
Prepaid expenses	508,269	-	508,269
Unrestricted	57,325,850	4,054,688	61,380,538
<b>Total Net Position:</b>	<b><u>177,627,016</u></b>	<b><u>10,971,361</u></b>	<b><u>188,598,377</u></b>

**City of Spokane Valley, Washington**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 5,141,011	\$ 2,490,863	\$ 495,372	\$ -	\$ (2,154,776)	\$ -	\$ (2,154,776)	
Public safety	24,878,925	1,299,233	20,300	-	(23,559,392)	-	(23,559,392)	
Utilities and physical environment	2,294,722	1,495,891	-	420,980	(377,851)	-	(377,851)	
Transportation	9,248,187	170,370	-	6,932,189	(2,145,628)	-	(2,145,628)	
Economic environment	1,417,053	-	-	-	(1,417,053)	-	(1,417,053)	
Community development	2,486,453	2,532,910	-	-	46,457	-	46,457	
Culture and recreation	3,886,564	645,816	18,840	1,845,057	(1,376,851)	-	(1,376,851)	
Interest on long-term debt	494,946	-	-	-	(494,946)	-	(494,946)	
<b>Total governmental activities</b>	<b>49,847,861</b>	<b>8,635,083</b>	<b>534,512</b>	<b>9,198,226</b>	<b>(31,480,040)</b>	<b>-</b>	<b>(31,480,040)</b>	
Business-type activities:								
Aquifer protection area	177,453	-	462,980	597,734	-	883,261	883,261	
Stormwater management	1,747,509	1,920,509	-	128,695	-	301,695	301,695	
<b>Total business-type activities</b>	<b>1,924,962</b>	<b>1,920,509</b>	<b>462,980</b>	<b>726,429</b>	<b>-</b>	<b>1,184,956</b>	<b>1,184,956</b>	
<b>Total primary government</b>	<b>\$ 51,772,823</b>	<b>\$ 10,555,592</b>	<b>\$ 997,492</b>	<b>\$ 9,924,655</b>	<b>(31,480,040)</b>	<b>1,184,956</b>	<b>(30,295,084)</b>	
<b>General revenues:</b>								
Taxes:								
Property taxes				11,671,333	-	11,671,333		
Sales and use taxes				25,802,648	-	25,802,648		
Excise taxes				7,681,870	-	7,681,870		
Other taxes				3,284,741	-	3,284,741		
Donation of capital assets				239,109	-	239,109		
Gain on sale of capital assets				27,982	-	27,982		
Interest and investment earnings				1,103,129	69,086	1,172,215		
Transfers				13,400	(13,400)	-	-	
<b>Total general revenues and transfers</b>				<b>49,824,212</b>	<b>55,686</b>	<b>49,879,898</b>		
Change in net position				<b>18,344,172</b>	<b>1,240,642</b>	<b>19,584,814</b>		
Net position--beginning of year				<b>159,282,844</b>	<b>9,730,719</b>	<b>169,013,563</b>		
<b>Net position--ending</b>				<b>\$ 177,627,016</b>	<b>\$ 10,971,361</b>	<b>\$ 188,598,377</b>		

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Balance Sheet**

**Governmental Funds**

*December 31, 2018*

	General Fund	Street Fund	Street Capital Projects Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 40,791,010	\$ 1,016,599	\$ 10,500
Taxes receivable	5,396,067	436,343	-
Accounts receivable, (net)	1,250,673	104,442	76,632
Interest receivable	68,396	1,729	-
Due from other funds	126,000	-	-
Grants receivable	5,710	1,335	865,064
Prepays	157,342	1,400	-
<b>Total Assets</b>	<b>\$ 47,795,198</b>	<b>\$ 1,561,848</b>	<b>\$ 952,196</b>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 1,268,398	\$ 511,130	\$ 488,657
Accrued wages and benefits payable	502,452	59,341	15,339
Due to other funds	-	-	41,000
Deposits and other payables	443,821	-	-
Retainage payable	38,640	58,498	18,011
Unearned revenues	2,924,083	147,907	322,148
<b>Total Liabilities</b>	<b>5,177,394</b>	<b>776,876</b>	<b>885,155</b>
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid expenses	\$ 157,342	\$ 1,400	\$ -
Restricted for:			
Comcast PEG contributions	-	-	-
Health Reimbursement Account	34,477	3,344	-
Parks & recreation programs	3,074	-	-
Railroad grade separation projects	-	-	-
Windstorm recovery 2015	5,710	-	-
Hotel/motel tourism facilities	-	-	-
Hotel/motel tourism promotion	-	-	-
Motor vehicle fuel tax roads & streets	-	780,228	-
New City Hall Bldg - 2016	-	-	-
Street capital improvements	-	-	67,041
Trails & paths	-	-	-
Capital projects REET 1&2 roads & streets	-	-	-
Committed to:			
Winter weather operations	-	-	-
Assigned to:			
Civic bldg capital replacement	-	-	-
Capital reserve improvements (city wide)	-	-	-
Street capital improvements P&M	-	-	-
Solid waste services	-	-	-
Unassigned	42,417,201	-	-
<b>Total Fund Balances</b>	<b>42,617,804</b>	<b>784,972</b>	<b>67,041</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 47,795,198</b>	<b>\$ 1,561,848</b>	<b>\$ 952,196</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Balance Sheet**

**Governmental Funds**

**December 31, 2018**

	Other		Total Governmental Funds
	Capital Reserve Fund	Governmental Funds	
<b>Assets</b>			
Cash and cash equivalents	\$ 8,957,622	\$ 15,280,740	\$ 66,056,471
Taxes receivable	-	397,159	6,229,569
Accounts receivable, (net)	-	131,795	1,563,542
Interest receivable	17,298	26,633	114,056
Due from other funds	-	-	126,000
Grants receivable	-	456,979	1,329,088
Prepays	-	-	158,742
<b>Total Assets</b>	<b>\$ 8,974,920</b>	<b>\$ 16,293,306</b>	<b>\$ 75,577,468</b>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ -	\$ 390,071	\$ 2,658,256
Accrued wages and benefits payable	-	16,504	593,636
Due to other funds	-	-	41,000
Deposits and other payables	-	-	443,821
Retainage payable	-	35,298	150,447
Unearned revenues	-	251,813	3,645,951
<b>Total Liabilities</b>	<b>-</b>	<b>693,686</b>	<b>7,533,111</b>
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid expenses	\$ -	\$ -	\$ 158,742
Restricted for:			
Comcast PEG contributions	-	84,831	84,831
Health Reimbursement Account	-	-	37,821
Parks & recreation programs	-	39,294	42,368
Railroad grade separation projects	-	1,036,472	1,036,472
Windstorm recovery 2015	-	3,166	8,876
Hotel/motel tourism facilities	-	1,918,072	1,918,072
Hotel/motel tourism promotion	-	277,929	277,929
Motor vehicle fuel tax roads & streets	-	-	780,228
New City Hall Bldg - 2016	-	87,636	87,636
Street capital improvements	-	1,046,839	1,113,880
Trails & paths	-	5,417	5,417
Capital projects REET 1&2 roads & streets	-	5,720,488	5,720,488
Committed to:			
Winter weather operations	-	499,904	499,904
Assigned to:			
Civic bldg capital replacement	-	857,737	857,737
Capital reserve improvements (city wide)	8,974,920	-	8,974,920
Street capital improvements P&M	-	3,590,476	3,590,476
Solid waste services	-	431,359	431,359
Unassigned	-	-	42,417,201
<b>Total Fund Balances</b>	<b>8,974,920</b>	<b>15,599,620</b>	<b>68,044,357</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,974,920</b>	<b>\$ 16,293,306</b>	<b>\$ 75,577,468</b>

***City of Spokane Valley, Washington***  
*Reconciliation of the Balance sheet of Governmental Funds*  
*To the Statement of Net Position*  
*December 31, 2018*

---



---

**Total governmental fund balances:** **68,044,357**

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

Capital assets used in governmental activities are not financial resources.

This amount reflects the initial investment in capital assets and are not reported in the funds.

122,026,990

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

These revenues consist of:

Sales and use taxes	2,536,891
Motor fuel taxes	148,530
Real estate excise taxes	15,163
Hotel/Motel taxes	<u>51,525</u>
Total	2,752,109

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unearned in the funds:

Property taxes	281,952
Intergovernmental	506,650
Charges for services	<u>105,241</u>
Total	893,843

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

1,554,749

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

Bonds payable	(12,270,000)
Interest payable	(36,946)
Net pension liabilities	(2,721,230)
Deferred inflows of resources	(1,549,348)
Deferred outflows of resources	573,903
Premium on bond issuance	(1,078,111)
Compensated Absences	<u>(563,301)</u>
Total	<u>(17,645,033)</u>

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

**177,627,016**

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

***Statement of Revenues, Expenditures and Changes in Fund Balances***  
***Governmental Funds***  
***For the Year Ended December 31, 2018***

	General Fund	Street Fund	Street Capital Projects Fund
<b>Revenues</b>			
Taxes	\$ 37,712,211	\$ 1,854,641	\$ -
Licenses and permits	3,929,192	-	-
Intergovernmental	2,530,204	2,196,916	6,566,467
Charges for services	658,232	94,571	-
Fines and forfeitures	467,589	-	-
Investment interest	690,528	17,504	214
Miscellaneous	592,301	97,958	29,279
<b>Total Revenues</b>	<b>46,580,257</b>	<b>4,261,590</b>	<b>6,595,960</b>
<b>Expenditures</b>			
Current:			
General government	4,757,273	-	-
Public safety	24,761,985	-	-
Utilities and physical environment	825,965	217,733	164,255
Transportation	-	4,180,669	63,311
Economic environment	1,069,927	-	-
Community development	2,486,453	-	-
Culture and recreation	2,806,150	-	-
Debt Service:			
Principal retirement	-	-	-
Interest	600	-	-
Capital Outlay:			
Capital expenditures	200,599	17,252	7,229,966
Construction in progress	-	21,216	523,151
<b>Total Expenditures</b>	<b>36,908,952</b>	<b>4,436,870</b>	<b>7,980,683</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>9,671,305</b>	<b>(175,280)</b>	<b>(1,384,723)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	119,562	-	2,667,492
Transfers (out)	(6,637,285)	(107,042)	(1,282,420)
Proceeds on Sale of Land	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(6,517,723)</b>	<b>(107,042)</b>	<b>1,385,072</b>
<b>Net Change in Fund Balances (deficit)</b>	<b>3,153,582</b>	<b>(282,322)</b>	<b>349</b>
<b>Fund Balances Beginning of Year</b>	<b>39,464,222</b>	<b>1,067,294</b>	<b>66,692</b>
<b>Fund Balances End of Year</b>	<b>\$ 42,617,804</b>	<b>\$ 784,972</b>	<b>\$ 67,041</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2018*

	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ -	\$ 4,998,903	\$ 44,565,755
Licenses and permits	-	81,322	4,010,514
Intergovernmental	-	4,022,240	15,315,827
Charges for services	-	1,290,929	2,043,732
Fines and forfeitures	-	-	467,589
Investment interest	126,566	246,311	1,081,123
Miscellaneous	-	17	719,555
<b>Total Revenues</b>	<b>126,566</b>	<b>10,639,722</b>	<b>68,204,095</b>
<b>Expenditures</b>			
Current:			
General government	31,659	38,955	4,827,887
Public safety	-	-	24,761,985
Utilities and physical environment	-	22,313	1,230,266
Transportation	-	43,611	4,287,591
Economic environment	-	321,934	1,391,861
Community development	-	-	2,486,453
Culture and recreation	-	-	2,806,150
Debt Service:			
Principal retirement	-	520,000	520,000
Interest	-	457,400	458,000
Capital Outlay:			
Capital expenditures	5,383	6,060,621	13,513,821
Construction in progress	-	754,799	1,299,166
<b>Total Expenditures</b>	<b>37,042</b>	<b>8,219,633</b>	<b>57,583,180</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>89,524</b>	<b>2,420,089</b>	<b>10,620,915</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,342,715	5,618,769	12,748,538
Transfers (out)	(289,661)	(4,825,330)	(13,141,738)
Proceeds on Sale of Land	405,056	-	405,056
<b>Total Other Financing Sources (Uses)</b>	<b>4,458,110</b>	<b>793,439</b>	<b>11,856</b>
<b>Net Change in Fund Balances (deficit)</b>	<b>4,547,634</b>	<b>3,213,528</b>	<b>10,632,771</b>
<b>Fund Balances Beginning of Year</b>	<b>4,427,286</b>	<b>12,386,092</b>	<b>57,411,586</b>
<b>Fund Balances End of Year</b>	<b>\$ 8,974,920</b>	<b>\$ 15,599,620</b>	<b>\$ 68,044,357</b>

## ***City of Spokane Valley, Washington***

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018*

---

**Net change in fund balances - total governmental funds:** **10,632,771**

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

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

Depreciation	(7,696,432)	
Capital outlay	14,668,667	6,972,235

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

Sales and use taxes	182,994	
Property taxes	(37,590)	
Excise taxes	(38,044)	
Other taxes	4,085	
Miscellaneous	437,710	
Capital-operating grants and contributions	(1,001,872)	(452,717)

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

520,000

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

Compensated absences	(58,076)	
Pension expense (GASB 68 adjustments)	344,419	
Amortization expense on LTGO Bonds	(58,810)	
Gain on sale of Capital Asset	27,982	
Donations of Capital Assets	239,109	
Interest expense accrual	(36,946)	457,678

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

214,205

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

**18,344,172**

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Statement of Net Position - Proprietary Funds**

December 31, 2018

		<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>	
		<b>StormWater Management Fund</b>	<b>Aquifer Protection Area Fund</b>	<b>Total Proprietary Funds</b>		
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 2,542,524	\$ 1,867,097	\$ 4,409,621	\$ 1,290,132		
Taxes delinquent-receivable	50,387	-	50,387	-		
Accounts receivable, (net)	-	-	-	-		
Interest receivable	4,434	3,245	7,679	2,703		
Grants receivable	64,149	22,737	86,886	-		
Prepays	19,815	-	19,815	349,527		
<b>Total Current Assets</b>	<b>2,681,309</b>	<b>1,893,079</b>	<b>4,574,388</b>	<b>1,642,362</b>		
Capital Assets:						
Land	-	5,800	5,800	-		
Buildings & structures	382,881	-	382,881	-		
Machinery and equipment	219,613	-	219,613	547,212		
Infrastructure	4,266,223	4,111,355	8,377,578	-		
Construction in progress	234,447	1,859	236,306	-		
Less accumulated depreciation	(1,583,749)	(723,283)	(2,307,032)	(144,400)		
Total capital assets (net of accumulated depreciation)	3,519,415	3,395,731	6,915,146	402,812		
<b>Total Assets</b>	<b>\$ 6,200,724</b>	<b>\$ 5,288,810</b>	<b>\$ 11,489,534</b>	<b>\$ 2,045,174</b>		
<b>Deferred Outflows of Resources</b>						
Deferred amounts related to pensions	25,009	-	25,009	-		
<b>Total Deferred Outflows of Resources</b>	<b>\$ 25,009</b>	<b>\$ -</b>	<b>\$ 25,009</b>	<b>\$ -</b>		
<b>Liabilities</b>						
Current Liabilities:						
Accounts payable	\$ 84,064	\$ 50,308	\$ 134,372	\$ 2,613		
Accrued payroll and benefits payable	23,904	49	23,953	-		
Due to other funds	-	-	-	85,000		
Deposits and other payables	32,100	-	32,100	-		
Retainage payables	46,922	-	46,922	-		
Unearned revenue	93,988	2,717	96,705	-		
<b>Total Current Liabilities</b>	<b>280,978</b>	<b>53,074</b>	<b>334,052</b>	<b>87,613</b>		
Long-term Liabilities:						
Compensated absences	30,710	-	30,710	-		
Net pension plan liabilities	113,619	-	113,619	-		
<b>Total Long-term Liabilities</b>	<b>144,329</b>	<b>-</b>	<b>144,329</b>	<b>-</b>		
<b>Total Liabilities</b>	<b>425,307</b>	<b>53,074</b>	<b>478,381</b>	<b>87,613</b>		
<b>Deferred Inflows of Resources</b>						
Deferred amounts related to pensions	64,801	-	64,801	-		
<b>Total Deferred Inflows of Resources</b>	<b>64,801</b>	<b>-</b>	<b>64,801</b>	<b>-</b>		
<b>Net Position</b>						
Investments in capital assets	3,519,415	3,395,731	6,915,146	402,812		
Restricted	1,527	-	1,527	-		
Unrestricted	2,214,683	1,840,005	4,054,688	1,554,749		
<b>Total Net Position</b>	<b>\$ 5,735,625</b>	<b>\$ 5,235,736</b>	<b>\$ 10,971,361</b>	<b>\$ 1,957,561</b>		

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

***Statement of Revenues, Expenses, and Changes in Net Position***  
***Proprietary Funds***  
***For the Year Ended December 31, 2018***

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>StormWater Management Fund</b>	<b>Aquifer Protection Area Fund</b>	<b>Total Proprietary Funds</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 1,920,509	\$ -	\$ 1,920,509	\$ 141,928
Intergovernmental revenues	128,695	1,060,714	1,189,409	-
<b>Total Operating Revenues</b>	<b>2,049,204</b>	<b>1,060,714</b>	<b>3,109,918</b>	<b>141,928</b>
<b>Operating Expenses</b>				
Personal services	249,495	-	249,495	10,563
Professional services	203,276	-	203,276	345,036
Materials and supplies	17,447	-	17,447	733
Other services and expenses	1,038,101	-	1,038,101	-
Depreciation and amortization	239,190	177,453	416,643	47,155
<b>Total Operating Expenses</b>	<b>1,747,509</b>	<b>177,453</b>	<b>1,924,962</b>	<b>403,487</b>
<b>Operating Income (loss)</b>	<b>301,695</b>	<b>883,261</b>	<b>1,184,956</b>	<b>(261,559)</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and investment income	40,465	28,621	69,086	22,009
<b>Total Non-Operating Revenues (Expenses)</b>	<b>40,465</b>	<b>28,621</b>	<b>69,086</b>	<b>22,009</b>
<b>Income (loss) before Capital Contributions and Transfers</b>	<b>342,160</b>	<b>911,882</b>	<b>1,254,042</b>	<b>(239,550)</b>
<b>Transfers</b>				
Transfers in	-	-	-	406,600
Transfers (out)	(13,400)	-	(13,400)	-
<b>Change in Net Position</b>	<b>328,760</b>	<b>911,882</b>	<b>1,240,642</b>	<b>167,050</b>
<b>Net Position-Beginning of Year, January 1</b>	<b>5,406,865</b>	<b>4,323,854</b>	<b>9,730,719</b>	<b>1,790,511</b>
<b>Net Position-End of Year, December 31</b>	<b>\$ 5,735,625</b>	<b>\$ 5,235,736</b>	<b>\$ 10,971,361</b>	<b>\$ 1,957,561</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Statement of Cash Flows - Proprietary Funds**  
For the Year Ended December 31, 2018

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	StormWater Management Fund	Aquifer Protection Area Fund	Total Proprietary Funds	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,924,150	\$ -	\$ 1,924,150	\$ (4,491)
Cash paid to employees	(397,949)	9	(397,940)	(10,537)
Cash payments to suppliers for goods and services	(1,250,104)	50,348	(1,199,756)	(350,287)
Other cash receipts	350,982	1,040,694	1,391,676	-
Receipts from interfund activity	-	-	-	141,928
Other cash payments	(235,477)	-	(235,477)	-
<b>Net cash (used for) provided by operating activities</b>	<b>391,602</b>	<b>1,091,051</b>	<b>1,482,653</b>	<b>(223,387)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating subsidies & transfers in (out) other funds	(13,400)	-	(13,400)	217,598
<b>Net cash (used for) noncapital financing activities</b>	<b>(13,400)</b>	<b>-</b>	<b>(13,400)</b>	<b>217,598</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition, construction & (transfers) of capital assets	(325,164)	(662,402)	(987,566)	-
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>(325,164)</b>	<b>(662,402)</b>	<b>(987,566)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>				
Interest received	38,446	26,763	65,209	20,661
<b>Net cash provided by investing activities</b>	<b>38,446</b>	<b>26,763</b>	<b>65,209</b>	<b>20,661</b>
Net increase (decrease) in Cash and Cash Equivalents	91,484	455,412	546,896	14,872
Cash and Cash Equivalents - January 1, 2018	2,451,040	1,411,685	3,862,725	1,275,260
<b>Cash and Cash Equivalents - December 31, 2018</b>	<b>\$ 2,542,524</b>	<b>\$ 1,867,097</b>	<b>\$ 4,409,621</b>	<b>\$ 1,290,132</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (loss)	\$ 301,695	\$ 883,261	\$ 1,184,956	\$ (261,559)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	239,190	177,453	416,643	47,155
(Increase) Decrease in Assets and Deferred Outflows:				
(Increase) Decrease: Customer receivables (net)	3,641	-	3,641	-
(Increase) Decrease: Operating grants receivables	225,927	(22,737)	203,190	-
(Increase) Decrease: Prepaid expenses	(18,615)	-	(18,615)	(4,491)
(Increase) Decrease: Deferred outflows related to pensions	14,975	-	14,975	-
Increase (Decrease) in Liabilities and Deferred Inflows:				
Increase (Decrease): Accounts payable to suppliers	8,720	50,308	59,028	(4,518)
Increase (Decrease): Payroll and benefits payable	(154,308)	49	(154,259)	26
Increase (Decrease): Other accounts payables	(1,674)	-	(1,674)	-
Increase (Decrease): Deferred revenue	(233,802)	2,717	(231,085)	-
Increase (Decrease): Compensated absences	5,853	-	5,853	-
Total adjustments	89,907	207,790	297,697	38,172
<b>Net Cash Provided by (Used for) by Operating Activities</b>	<b>\$ 391,602</b>	<b>\$ 1,091,051</b>	<b>\$ 1,482,653</b>	<b>\$ (223,387)</b>

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

***Notes to the Financial Statements***



***City of Spokane Valley, Washington***  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2018**

**NOTES TO THE FINANCIAL STATEMENTS**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Note 1: Summary of Significant Accounting policies.....	35
Note 2: Reconciliation of Government-Wide and Fund Financial Statements.....	42
Note 3: Deposits and Investments.....	45
Note 4: Property Taxes.....	46
Note 5: Capital Assets and Depreciation.....	47
Note 6: Pension Plans.....	50
Note 7: Risk Management.....	57
Note 8: Interfund Balances and Transfers.....	58
Note 9: Long-Term Obligations and Leases.....	59
Note 10: Contingencies and Litigation.....	62
Note 11: Receivable and Payable Balances.....	63
Note 12: Other Postemployment Benefits (OPEB).....	65

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

#### **A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental-type activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *Business-Type Activities*, which rely to a significant extent on fees and charges generated by external customers for support.

#### **B. Reporting entity**

The City of Spokane Valley, Washington (the City) was incorporated on March 31, 2003. The City operates under a Council – Manager Form of government. The City's major operations, as authorized under the laws of the State of Washington applicable to a non-charter city code, include planning and zoning, public safety, public works, and recreation and culture.

The accounting and reporting policies of the City relate to the accompanying financial statements of the City of Spokane Valley, Washington which have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governmental entities. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, the Financial Accounting Standards Board (FASB), when applicable, and the American Institute of Certified Public Accountants (AICPA) pronouncements that have been made applicable by GASB Statements or Interpretations. As required by GAAP the City's financial statements present the City of Spokane Valley – the primary government.

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

While separate government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds) are presented to report the City's financial position and the results of operations, they are both interrelated. The governmental-type activities column incorporates data from the governmental funds and internal service funds, while business-type activities categorize data from the government's enterprise funds.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's Stormwater functions and various other functions and activities within the government. Elimination of these charges would distort the direct costs and program revenues reported in these various functions concerned. As discussed earlier, Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges created by those external customers.

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

## Notes to Financial Statements

---

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

---

Separate fund financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are combined, aggregated, and reported as *non-major* funds.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

The city reports the following *major governmental funds*:

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

*The Street Fund:* This Special revenue fund is responsible for the street operating and maintenance service levels of all Spokane Valley city streets and bridges. It utilizes the receipts received from the motor vehicle fuel tax (MVFT) distributed to the City in accordance with the State Revised Codes of Washington (RCW) 82.36.020 and receipts from the City Telephone Tax implemented in 2009. Most of the service levels to the city streets during 2018 are the same or greater than provided for compared to 2017.

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

*Street Capital Projects Fund:* accounts for the accumulation of resources used to finance the six-year transportation improvement plan. Revenues include transfers from the Capital and Special Capital Projects Fund, as well as Federal, State, and local grants.

*Capital Reserve Fund:* accounts for the accumulation of resources used to account for yet to be determined capital projects. Revenues include transfers from the general fund.

The city reports the following *major proprietary funds*:

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

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

Additionally, the government reports the following *non-major fund types*:

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

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

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

*Internal service funds:* account for equipment replacement and risk management services provided to other departments on a cost reimbursement basis.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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

### **E. Budgetary information**

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

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

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

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

The City's budget procedures are mandated by the Revised Code of Washington 35A.33. The following are key procedural steps in the City's budget development process. Note that the process and dates are for the 2018 budget process and may be changed for future processes:

- In April, the official "budget call" required by State law is made to all department directors or fund managers. Budget development instructions and other materials are provided to the departments at this time.
- In May, departments submit revenue and expenditure estimates to the Finance department. The City Council and City management staff discuss City goals and priorities and reaffirms overall City priorities, vision, and mission at a mid-year retreat. Additional policy guidance is provided throughout the year.
- In June, the City conducts the budget workshop with Council.
- In July, the Finance department submits the preliminary budget to the City Manager.
- In August, the City Manager submits estimates on the current year's revenue and expenditures for the upcoming year to the council. During August, preliminary budget documents are prepared, printed and filed with the City Clerk. This proposed budget is presented to the City Clerk, and copies are made available to the public. The Council sets the dates of the preliminary and final budget hearings.
- Before December 31<sup>st</sup>, the City Council, by a majority vote, adopts the budget by ordinance, establishing the budget appropriation for the year.
- The approved budget is published and distributed during the first quarter of the following year. Copies are made available to the public.
- Monthly budget monitoring reports are produced by the Finance Department to report on actual performance compared to budget estimates and to identify any remedial actions that may be needed.

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

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

The City's budget was amended twice during fiscal year 2018. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes. Annual appropriations for all funds lapse at the end of the fiscal period even if they have related encumbrances. Unexpended resources must be re-appropriated and become part of the subsequent period's budget pursuant to Washington States regulations.

## **F. Assets, liabilities, unearned revenues, deferred outflows/inflows of resources, and net position/fund balance**

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

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

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

its investments until maturity in an attempt to reduce market fluctuation risk. Investments of the City can be drawn down on demand.

#### **2. Investments**

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

Investments for the City of Spokane Valley are reported at amortized cost at December 31, 2018. The fair value of the LGIP portfolio is calculated by a master custodian or by an independent pricing service under contract with the State Treasurer's Office. The reported amortized value of the City's pool position in the State of Washington's LGIP is the same as the fair value of the pool shares (refer to note 3).

#### **3. Receivables**

Taxes receivable consist of property taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes, and contracts. Grants receivable consist of amounts due from other governments for work performed on reimbursement-type grants. Customer accounts receivable/payable consist of amounts owed from/to private individuals or organizations for goods and services, including amounts owed. Receivables have been reported *net* of estimated uncollectible accounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. Grants receivable are considered fully collectible and no estimated uncollectible amounts are established.

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

During the course of operations, the City of Spokane Valley has activity between funds for various purposes. Any residual balances outstanding at year end are reported as *due from/to other funds*. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental-type activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental-type activities column. Similarly, balances between the funds included in business-type activities (i.e., the proprietary funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column (refer to note 8).

Further, certain activity occurs during the year involving *transfers* of resources between funds. In the fund financial statements these amounts are reported at gross amounts of *transfers in/out*. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. *Transfers* between the funds included in governmental-type activities are eliminated so that only the net amount is included as transfers in the governmental-type activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column (refer to note 8).

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

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

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

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

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of proprietary/business-type activities is included as part of the capitalized value of the assets constructed and the amount of interest capitalized depends on the specific circumstances (refer to note 5). There were no interest expenses incurred during 2018 that were included as part of the cost of capital assets under construction.

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

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

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

The City of Spokane Valley currently has three sources that qualify for reporting as a deferred outflow/inflow of resources for fiscal year 2018 under this standard. These sources consist of traffic mitigation fees, Washington State Office of Public Defense grant funds received in advance, and proportionate share in net pension obligations as per GASB 68. At December 31, 2018, the City of Spokane Valley reported deferred outflows of \$598,912 for pension plans and deferred inflows of \$1,614,149 for the same plans for its proportionate share of the net pension liabilities.

### **8. Compensated absences**

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

### **9. Pensions**

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

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

These accounts consist primarily of accrued wages and employee benefits and deposits payable (refer to note 11).

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

Refer to note 9 – Long-Term Obligations and Leases.

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

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

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

#### **13. Net position flow assumption**

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

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

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

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

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

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

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

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

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

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

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

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

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

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

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

---

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

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

The governmental fund balance includes reconciliations between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, net pension liabilities, deferred outflows and inflows, and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of the (\$17,645,033) difference are as follows:

Bonds payable	\$ (12,270,000)
Interest payable	(36,946)
Net pension liabilities	(2,721,230)
Deferred inflows of resources	(1,549,348)
Deferred outflows of resources	573,903
Premium on bond issuance	(1,078,111)
Compensated absences	<u>(563,301)</u>
Net adjustment to <b>reduce</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><b>\$ (17,645,033)</b></u>

# City of Spokane Valley

## Notes to Financial Statements

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

Another element of that reconciliation explains the “Internal service funds are used by management to charge the cost of certain activities, such as health insurance costs to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.” The details of the \$1,554,749 difference are as follow:

Net position of the internal service fund	\$ 1,957,561
Less: Governmental type Internal Service Capital Assets	<u>(402,812)</u>
Net adjustment to <b>increase</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position governmental activities</i>	<b><u>\$ 1,554,749</u></b>

Also, another element of the reconciliation explains that capital assets used in governmental activities are not financial resources and the balance reflects the initial investment in capital assets and therefore “governmental funds do not report capital assets.” The details of the \$122,026,990 difference are as follows:

Land	\$ 9,607,027
Construction in Progress	<u>3,783,388</u>
Total non-depreciable capital assets	<u>13,390,415</u>
Depreciable capital assets	\$ 375,619,589
Less: Accumulated depreciation-depreciable assets	<u>(266,983,014)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>108,636,575</u>
Net adjustment to <b>increase</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<b><u>\$122,026,990</u></b>

Certain earned tax revenues were collected and other long-term assets will not be available until after the year end to pay for current expenditures, and therefore represent an acquisition of net position that applies to future period(s) and will not be recognized as an *inflow of resources (revenue)* until that time, and accordingly these items will be reported as *unearned revenues* in the governmental fund balance sheet. The details of the \$3,645,952 reconciled difference presented as follows:

Unearned revenue-property tax	\$ 281,952
Unearned revenue-sales & use, motor fuel, hotel/motel, & REET taxes	<u>2,752,109</u>
Unearned revenue-intergovernmental & charges for services	<u>611,891</u>
Net adjustment to <b>increase</b> <i>fund balance - total governmental funds</i> to arrive at <i>net position governmental activities</i>	<b><u>\$ 3,645,952</u></b>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes this reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets

# City of Spokane Valley

## Notes to Financial Statements

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

is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the current period.” The details of this \$6,972,235 difference are as follows:

Capital outlay	\$ 14,668,667
Depreciation expense	<u>(7,696,432)</u>
Net adjustment to <b>increase</b> <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u><b>\$ 6,972,235</b></u>

Another element of the reconciliation states that “some long-term revenues in the statement of activities that do not provide current financial resources to governmental funds are not reported as revenues in the funds.” The details of this (\$452,717) difference are as follows:

Unearned revenue-property taxes	\$ (37,590)
Unearned revenue-sales & use taxes	182,994
Unearned revenue-excise taxes	(38,044)
Unearned revenue-other taxes	4,085
Unearned revenue-charges for services	437,710
Unearned revenue-capital grants & contributions	<u>(1,001,872)</u>
Net adjustment to <b>increase</b> <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><b>\$ (452,717)</b></u>

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$457,678 difference are as follows:

Compensated absences	\$ (58,076)
Pension expense (GASB 68)	344,419
Amortization expense on LTGO Bonds	(58,810)
Gain on Sale of Capital Assets	27,982
Donation of Capital Assets	239,109
Accrued interest on LTGO Bonds	<u>(36,946)</u>
Net adjustment to <b>increase</b> <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of govenmental activities</i>	<u><b>\$ 457,678</b></u>

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

Another element of the reconciliation states the “internal service funds are used by management to charge the cost of certain activities, such as self-insurance and equipment rental and replacement, to individual funds.” The details of this \$214,205 difference are as follows:

Revenues:

Interest and investment income & charges for services	\$ 163,937
Total Revenues	<u>163,937</u>

Expense and net transfer:

<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>50,268</u>
	<u><b>\$ 214,205</b></u>

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

---

As of December 31, 2018, the City of Spokane Valley had the following investments at amortized cost:

<b>Investment Type</b> <i>(amounts are in thousands)</i>	<b>Maturities</b>	
Commercial paper	0.65	\$ 5,081
Local Government Investment Pool State of Washington	0.46	58,703
Total fair value of investments:		
Portfolio weighted average maturity	<b>0.47</b>	<b><u>\$ 63,784</u></b>

*Interest rate risk:* In accordance with its investment policy, the City of Spokane Valley manages its exposure to declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to less than six months.

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

The City of Spokane Valley’s investment in the State Treasurer’s investment pool was rated Aa2 by Moody’s. The City of Spokane Valley’s investments in commercial paper was rated A1 by Standard & Poor’s.

*Concentration of credit risk:* The City of Spokane Valley’s investment policy does not allow for an investment in any one issuer that is in excess of the Federal Depository Insurance (FDIC) coverage and the Washington Public Deposit Protection Commission (PDPC) of the City’s total investments.

*Custodial credit risk-deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned or recovered. The City of Spokane Valley maintains a deposit policy for custodial credit risk by limiting deposits and certificates of deposits to be covered by (FDIC) or through collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

# City of Spokane Valley

---

## Notes to Financial Statements

---

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

---

The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington and provides an additional level of security for The City of Spokane Valley's deposits. As of December 31, 2018, the City of Spokane Valley's total bank balance of \$8,393,894 was insured and covered by the FDIC and the Washington State PDPC, pool and therefore was not exposed to any custodial credit risk-deposits. These banks deposits were in a State authorized public depository and were within the State limit of the depositaries (bank's) net worth per RCW 39.58.010 and RCW 39.58.135.

*Custodial credit risk-investments:* Investments in the State's LGIP are shown on the entity-wide Statement of Net Position at amortized cost and comparable to a Rule 2a-7 money market fund regulated by The Securities and Exchange Commission (SEC, 17CFR.270.2a-7). The City's investments can be categorized to give an indication of risk assumed at year-end. Category 1 includes investments that are insured, registered, or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent, but not in the City's name. The City had no Category 1, 2, or 3 type investments in their investment portfolio as of December 31, 2018.

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

### **NOTE 4 – PROPERTY TAXES:**

---

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

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

Property taxes levied for the current year are recorded as a receivable when levied, offset by unearned revenue. Also, property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue in the applicable period. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually. For 2018, the City's regular levy was \$11,804,402 based on the 2018 assessed value of \$8,634,114,798.

The tax rate for general City operations is limited by State law (RCW 84.52.043) to \$3.60 per \$1,000 of assessed valuation, deducting from there the levy of \$1.87 by the Spokane County Fire Districts #1 and #8, and \$.43 for Library Districts, which leaves the City with the authority to levy \$1.30 for its own purposes. This amount may be reduced for any of the following reasons:

- (1) The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one-percent limit.

# City of Spokane Valley

## Notes to Financial Statements

### ***NOTE 4 – PROPERTY TAXES continued:***

(2) Initiative 747 passed by the voters in November of 2001 limits the amount by which a taxing jurisdiction can increase the amount of its regular property tax levy to the lesser of the Implicit Price Deflator (IPD) or one percent, plus adjustments for new construction and annexations. Tax increases higher than one percent must be approved by the voters at an election held according to (RCW 84.55.050.) A simple majority vote is required.

(3) The City may voluntarily levy taxes below the legal limit.

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

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

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

# City of Spokane Valley

## Notes to Financial Statements

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

Governmental-type Capital asset activity for the year ended December 31, 2018, is summarized as follows:

<b>Governmental-type activities</b>	<b>Beginning</b>			<b>Ending Balance</b>
	<b>Balance 1/1/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Dec. 31, 2018</b>
Land (non-depreciable)	\$ 9,219,847	\$ 760,578	\$ (373,398)	\$ 9,607,027
Construction in progress (CIP)	3,444,882	1,299,166	(960,660)	3,783,388
<b>Total non-depreciable assets</b>	<b>12,664,729</b>	<b>2,059,744</b>	<b>(1,334,058)</b>	<b>13,390,415</b>
Buildings	25,377,226	20,239	-	25,397,465
Leasehold improvements	742,771	22,372	(10,030)	755,113
Improvements other than buildings	12,732,926	448,235	-	13,181,161
Infrastructure	317,812,763	13,253,343	-	331,066,106
Machinery and equipment	5,010,921	209,062	(239)	5,219,744
<b>Total depreciable assets</b>	<b>361,676,607</b>	<b>13,953,251</b>	<b>(10,269)</b>	<b>375,619,589</b>
<b>Total capital assets</b>	<b>\$ 374,341,336</b>	<b>\$ 16,012,995</b>	<b>\$ (1,344,327)</b>	<b>\$ 389,010,004</b>

<b>Less accumulated depreciation for:</b>	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>1/1/2018</b>	<b>Additions</b>	<b>Balance</b>
Buildings	\$ 4,449,957	\$ 571,517	\$ -	\$ 5,021,474
Leasehold improvements	186,198	44,826	(6,353)	224,671
Improvements other than buildings	6,746,191	725,378	-	7,471,569
Infrastructure	245,105,146	6,026,640	-	251,131,786
Machinery and equipment	2,799,090	334,426	(2)	3,133,514
<b>Total accumulated depreciation</b>	<b>\$ 259,286,582</b>	<b>\$ 7,702,787</b>	<b>\$ (6,355)</b>	<b>\$ 266,983,014</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 115,054,754</b>	<b>\$ 8,310,208</b>	<b>\$ (1,337,972)</b>	<b>\$ 122,026,990</b>

# City of Spokane Valley

## Notes to Financial Statements

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

**Business-type Capital asset activity for the year ended December 31, 2018, is summarized as follows:**

	<b>Balance</b>			<b>Balance</b>
	<b>1/1/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/2018</b>
<b>Business-type activities:</b>				
Land	\$ -	\$ 5,800	\$ -	\$ 5,800
Construction in progress	91,063	209,007	(63,764)	236,306
<b>Total non-depreciable</b>	<b>91,063</b>	<b>214,807</b>	<b>(63,764)</b>	<b>242,106</b>
Buildings and structures	382,881	-	-	382,881
Infrastructure	7,541,055	836,523	-	8,377,578
Machinery and equipment	219,613	-	-	219,613
<b>Total depreciable</b>	<b>8,143,549</b>	<b>836,523</b>	<b>-</b>	<b>8,980,072</b>
<b>Total capital assets</b>	<b>\$ 8,234,612</b>	<b>\$ 1,051,330</b>	<b>\$ (63,764)</b>	<b>\$ 9,222,178</b>
<b>(Less) accumulated depreciation for:</b>				
Buildings and structures	\$ 85,594	\$ 12,786	\$ -	\$ 98,380
Infrastructure	1,607,109	398,603	-	2,005,712
Machinery and equipment	197,687	5,253	-	202,940
<b>Total accumulated depreciation</b>	<b>1,890,390</b>	<b>416,643</b>	<b>-</b>	<b>2,307,032</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 6,344,222</b>	<b>\$ 634,687</b>	<b>\$ (63,764)</b>	<b>\$ 6,915,146</b>

Depreciation expense was charged to current functions of the primary government for 2018 as follows (includes Internal Service Funds Governmental type):

#### **Governmental Activities:**

General Government	\$ 473,555
Public Safety	114,037
Physical Utilities & Environment	1,035,066
Transportation	4,980,371
Economic Environment	9,459
Culture & Recreation	<u>1,083,944</u>
<b>Total governmental activities current year depreciation expense</b>	<b><u>\$ 7,696,432</u></b>

#### **Business-type activity:**

StormWater	\$ 239,190
Aquifer Protection Area	<u>177,453</u>
<b>Total business-type activities current year depreciation expense</b>	<b><u>\$ 416,643</u></b>

# City of Spokane Valley

## Notes to Financial Statements

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

Land was donated to the City during 2018 for development as a city park. The value of the donated land was \$239,109.

#### **Construction commitments**

The City of Spokane Valley was involved in many construction projects as of December 31, 2018. The projects include various street and park construction projects with a total of \$17,390,070 of contracts in place. At year end the City's commitments with contractors are as follows:

<b>Construction Commitments</b>	<b>Original Commitment</b>	<b>Spent to Date</b>	<b>Remaining Commitment at 12/31/18</b>
Mission Ave - Flora to barker	3,268,664	3,215,112	53,552
Broadway @ Argonne/Mullan	1,701,514	1,662,810	38,704
Barker Road/BNSF Grade Separation	2,532,891	619,555	1,913,336
Pines Rd. Underpass @ BNSF & Trent	114,697	111,026	3,671
Appleway Trail-Sullivan to Corbin	2,166,235	2,139,652	26,583
8th & Carnahan Intersection Improvements	52,450	42,987	9,463
Sprague Street Preservation - Sullivan to Corbin	1,458,803	1,415,231	43,572
Sullivan & Wellesley Intersection Improvement	121,060	41,861	79,199
Euclid Avenue Reconstruction Project	2,731,198	2,597,791	133,407
Argonne Resurfacing: Broadway to Mission	681,400	6,735	674,665
Mission Ave - McDonald to Evergreen	713,925	687,370	26,555
32 Avenue Sidewalk-SR27 to Evergreen	555,216	534,224	20,992
North Sullivan ITS Project	11,492	9,278	2,214
Mission Sidewalk - Bowdish to Union	3,874	2,340	1,534
Appleway Trail-Evergreen to Sullivan	39,460	2,161	37,299
Euclid Avenue Preservation Project	1,120,125	1,097,241	22,884
Barker Rd Widening-River to Euclid	25,360	19,725	5,635
Wilbur Sidewalk-Boone to Broadway	7,900	7,550	350
Appleway Trail Amenities: University to Pines	29,725	19,615	10,110
Highland Estates Connector	54,081	22,562	31,519
<b>Total Construction Commitments</b>	<b>\$ 17,390,070</b>	<b>\$ 14,254,826</b>	<b>\$ 3,135,244</b>

The various street, bridge, and parks construction projects are being funded by state and local grants, as well as, existing resources in various City Funds.

### **NOTE 6 – PENSION PLANS:**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ (2,834,849)
Pension assets	\$ -
Deferred outflows of resources	\$ 598,912
Deferred inflows of resources	\$ (1,614,149)
Pension expense/expenditures	\$ (437,438)

# City of Spokane Valley

---

## Notes to Financial Statements

---

### **NOTE 6 – PENSION PLANS** *continued:*

---

#### **State Sponsored Pension Plans**

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

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

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

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

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

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

#### **PERS Plan 1**

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

#### **Contributions**

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 6 – PENSION PLANS** *continued:*

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January - August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>
September - December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>

### **PERS Plan 2/3**

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

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

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

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

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 6 – PENSION PLANS** *continued:*

#### Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2 *</b>
January - August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>
September- December 2018		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.83%</b>	<b>7.41%</b>

The City of Spokane Valley actual PERS plan contributions were \$325,842 to PERS Plan 1 and \$482,606 to PERS Plan 2/3 for the year ended December 31, 2018. The City did not have any current employees participating in PERS Plan 1 during 2018. These contributions represent amounts allocated to PERS Plan 1 by DRS for the Unfunded Actuarial Accrued Liability (UAAL) to support payments for prior employees under this plan.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- *Inflation:* 2.75% total economic inflation; 3.50% salary inflation
- *Salary increases:* In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- *investment rate of return:* 7.40%

## Notes to Financial Statements

### **NOTE 6 – PENSION PLANS** *continued:*

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

#### **Change in Assumptions and Methods**

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2.
- For all plans, lowered assumed general salary growth from 3.75% to 3.50%.
- For all plans, lowered inflation from 3.00% to 2.75%.

#### **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 included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, SERS 2/3, and TRS employers, whose rates include a component for the PERS 1, TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

#### **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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

# City of Spokane Valley

## Notes to Financial Statements

### ***NOTE 6 – PENSION PLANS continued:***

#### **Sensitivity of Net Pension Liability**

The table below presents the City of Spokane Valley proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Spokane Valley 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.

	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	\$ 2,333,206	\$ 1,898,556	\$ 1,552,060
PERS 2/3	\$ 4,282,626	\$ 936,293	\$ (1,807,327)

#### **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, 2018, the City of Spokane Valley reported a total pension liability of \$2,834,849 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 1,898,556
PERS 2/3	\$ 936,293

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

	<b>Proportionate Share 6/30/2017</b>	<b>Proportionate Share 6/30/2018</b>	<b>Change in Proportion</b>
PERS 1	<b>0.054158%</b>	<b>0.042511%</b>	<b>-0.011647%</b>
PERS 2/3	<b>0.069662%</b>	<b>0.054837%</b>	<b>-0.014825%</b>

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

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

#### **Pension Expense**

For the year ended December 31, 2018, the City of Spokane Valley recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 380,869
PERS 2/3	\$ 56,569

# City of Spokane Valley

## Notes to Financial Statements

### ***NOTE 6 – PENSION PLANS continued:***

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

At December 31, 2018, the City of Spokane Valley reported deferred outflows of resources and deferred inflows of resources related to pensions from the following PERS plans:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ -	\$ -
Net difference between projected & actual investment earnings on pension plan investments	\$ -	\$ (75,448)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions & proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 167,487	\$ -
<b>Total</b>	<b>\$ 167,487</b>	<b>\$ (75,448)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ 114,765	\$ (163,928)
Net difference between projected & actual investment earnings on pension plan investments	\$ -	\$ (574,553)
Changes of assumptions	\$ 10,953	\$ (266,461)
Changes in proportion and differences between contributions & proportionate share of contributions	\$ 58,903	\$ (533,759)
Contributions subsequent to the measurement date	\$ 246,804	\$ -
<b>Total</b>	<b>\$ 431,425</b>	<b>\$ (1,538,701)</b>

Deferred outflows of resources related to pensions resulting from the City of Spokane Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 6 – PENSION PLANS continued:**

<b>Year ended December 31</b>	<b>PERS 1</b>	<b>Year ended December 31</b>	<b>PERS 2/3</b>
2019	3,301	2019	(169,008)
2020	(16,493)	2020	(265,699)
2021	(49,492)	2021	(424,657)
2022	(12,764)	2022	(203,207)
2023		2023	(121,180)
Thereafter		Thereafter	(170,329)
<b>TOTAL</b>	<b>(75,448)</b>	<b>TOTAL</b>	<b>(1,354,080)</b>

### **NOTE 7 – RISK MANAGEMENT:**

The City of Spokane Valley is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 160 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 7 – RISK MANAGEMENT** *continued:*

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

### **NOTE 8 – INTERFUND BALANCES AND TRANSFERS:**

#### **Interfund Balances**

Sometimes during the course of operations, and as a part of the City's regular programmatic activity, one fund will sell goods, have work performed or services provided to another fund in return for equal or almost equal value. As a result of such exchanges, an interfund services provided and used applies to any residual balances outstanding at year end and the City reports this type of activity as *due from/to other funds*. Due to other fund and due from other fund balances at December 31, 2018, were:

	<b>Due from other funds</b>	<b>Due to other funds</b>
General fund	\$ 126,000	\$ -
Street fund	-	-
Street capital projects fund	-	41,000
City hall construction fund	-	-
Nonmajor governmental funds	-	85,000
<b>Total governmental funds</b>	<b>\$ 126,000</b>	<b>\$ 126,000</b>
Stormwater management fund	\$ -	\$ -
Aquifer protection area fund	-	-
Internal service funds	-	-
<b>Total business type &amp; internal service</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total government - wide</b>	<b>\$ 126,000</b>	<b>\$ 126,000</b>

Service level stabilization fund balances have been combined to general fund as per GASB 54.

#### **Interfund Transfers**

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

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 8 – INTERFUND BALANCES AND TRANSFERS *continued*:**

Interfund transfer activity for 2018 is as follows:

Fund		Transfers - in	Transfers - (out)
001	General fund	\$ 119,562	\$ 6,637,285
101	Street fund	-	107,042
103	Trails & Paths fund	-	50,000
104	Tourism Facilities Hotel/Motel Tax fund	250,000	-
105	Hotel/Motel fund	-	276,037
106	Solid Waste fund	-	1,040,425
122	Winter Weather Reserve fund	490,000	-
204	Debt service fund	563,350	-
301	Capital projects fund	-	1,660,468
302	Special capital projects fund	-	1,798,400
303	Street capital projects fund	2,667,492	1,282,420
309	Parks capital projects fund	922,866	-
310	Civic Buildings Capital Projects fund	-	-
311	Pavement Preservation fund	3,400,700	-
312	Capital Reserve fund	4,342,715	289,661
313	City Hall Construction fund	-	-
314	Railroad Grade Separation Projects fund	(8,147)	-
402	Stormwater management fund	-	13,400
502	Internal Service Funds (Gov't type)	406,600	-
Total government - wide		<b>\$ 13,155,138</b>	<b>\$ 13,155,138</b>

The City made the following one-time transfer during the year ending December 31, 2018. This one-time or infrequent transfers are included in the table above:

A \$400,000 transfer from the General Fund to Parks Capital Project Fund for including \$200,000 for phase 1 of creating an outdoor venue at CenterPlace and \$200,000 for completing the sand volleyball courts at Browns Park.

### **NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES:**

#### **Pension Obligations**

The City's net pension liability for the year ended December 31, 2018, is \$2,834,849. Refer to note 6 for additional information and activity related to the City's pension plans.

#### **General Obligation Bonds**

The City of Spokane Valley issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental-type activities. These General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 3/5<sup>th</sup> majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and normally financed from general revenues (i.e., councilmanic bonds). In 2003, the City issued \$9,430,000 of councilmanic bonds to finance construction of the CenterPlace Community Center and for various street construction projects. The City expects to receive intergovernmental payments from the Spokane Public Facilities District pursuant to an inter-local agreement, dated July 2003, for \$7 million of the bonds.

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

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES** *continued:*

#### **Refunded Bonds**

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

General obligation and refunding bonds are currently outstanding as December 31, 2018, as follows:

<b>Name of Issuance</b>	<b>Purpose</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Debt Outstanding</b>
LTGO'14 Refunding Bonds	Governmental Activities	2.00% - 4.00%	12/1/2033	\$5,375,000
LTGO'16 Bonds	Governmental Activities	2.00% - 4.00%	12/1/2045	\$6,895,000

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

<b>Governmental - Type Activities</b>			
			<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2019	555,000	443,350	998,350
2020	595,000	426,700	1,021,700
2021	635,000	408,850	1,043,850
2022	675,000	389,800	1,064,800
2023	725,000	364,550	1,089,550
2024-2028	3,095,000	1,425,800	4,520,800
2029-2033	2,115,000	933,600	3,048,600
2034-2038	1,405,000	592,750	1,997,750
2039-2043	1,705,000	291,900	1,996,900
2044-2045	765,000	34,650	799,650
<b>Totals</b>	<b>\$12,270,000</b>	<b>\$ 5,311,950</b>	<b>\$ 17,581,950</b>

Long-term debt on the Statement of Net Position is presented net of any premium/discount incurred at the time of issuance. The 2014 LTGO'14 Refunding Bonds and 2016 LTGO'16 general obligation bonds were sold at a premium of \$1,278,847 and were reported at the net amount of \$1,341,656 including the underwriters discount expense. The premium will be amortized over the life of the bonds and the outstanding liability balance as of December 31, 2018, is \$1,078,111.

# City of Spokane Valley

## Notes to Financial Statements

### ***NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES continued:***

#### **Changes in Long-Term Liabilities**

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

<b>Governmental-Type Activities</b>	<b>Balance</b>			<b>Amounts</b>		
	<b>1/1/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Due within</b>	<b>One Year</b>
Bonds and notes payable:						
GO refunding LTGO'14 bonds	\$ 5,740,000	\$ -	\$ (365,000)	\$ 5,375,000	\$ 395,000	
General obligation LTGO'16 bonds	7,050,000	-	(155,000)	6,895,000	160,000	
Premium on LTGO'14 refunding bonds	513,238	-	(39,106)	474,132	39,106	
Premium on LTGO'16 bonds	626,349	-	(22,370)	603,979	22,370	
Other liabilities:						
Net pension plan liabilities	4,715,034		(1,993,804)	2,721,230	-	
Compensated absences	505,225	58,076		563,301	14,083	
<b>Governmental activities</b>						
<b>Long-term liabilities</b>	<b>\$19,149,846</b>	<b>\$ 58,076</b>	<b>\$ (2,575,280)</b>	<b>\$16,632,642</b>	<b>\$ 630,559</b>	

<b>Business-Type Activities</b>	<b>Balance</b>			<b>Amounts</b>		
	<b>1/1/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Due within</b>	<b>One Year</b>
Net pension plan liabilities						
Net pension plan liabilities	275,227	-	(161,608)	113,619	-	
Compensated absences	24,857	5,853	-	30,710	768	
<b>Business-type activities</b>						
<b>Long-term liabilities</b>	<b>\$ 300,084</b>	<b>\$ 5,853</b>	<b>\$ (161,608)</b>	<b>\$ 144,329</b>	<b>\$ 768</b>	

#### **Legal Debt Margin**

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

The 2017 assessed valuation of the City for the Levy year of 2018, for purposes of determining the legal debt margin is \$8,634,114,798. Under State of Washington statutes general obligation indebtedness pursuant to a vote of the electorate is limited to 2.5% of actual value of taxable property located within the City. Indebtedness without a vote of the people is limited to 1.5% of actual value subject to the limitation that total general purpose indebtedness may not exceed 2.5% of total valuation. There is a 2.5% limitation each for utility purposes and open space and park facilities purposes. The remaining voted and non-voted GO debt capacities for General purposes of the City at December 31, 2018, are as follows:

	<b>Amount</b>
General Purposes Voted and Non-voted Debt - 2.5%	\$ 203,077,645
Utility Voted Debt - 2.5%	215,852,870
Open Space and Park Facilities Voted Debt - 2.5%	215,852,870
<b>Total Remaining Debt Capacity</b>	<b>\$634,783,385</b>

# City of Spokane Valley

---

## Notes to Financial Statements

---

### **NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES continued:**

---

#### **Leases**

The City of Spokane Valley leases buildings and other equipment under noncancelable operating lease agreements. Operating leases do not give rise to property rights or lease debt obligations, and therefore the results of these agreements are not reflected in the General Long-term Obligations of government activities. Total costs for such leases were \$72,741 for the fiscal year ending December 31, 2018. The future minimum lease payments for these leases are presented as follows:

<b>Year Ending Dec. 31</b>	<b>Amount</b>
2019	\$ 43,107
2020	16,851
2021	4,261
2022	4,261
2023	4,261
<b>Total minimum future lease payments</b>	<b>\$ <u>72,741</u></b>

### **NOTE 10 – CONTINGENCIES AND LITIGATION:**

---

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

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

In 2018, the City was named as a defendant in a lawsuit by the parents of one or more minor children relating to a motor vehicle accident on East Cataldo Avenue near the intersection of Barker Road and I-90. Plaintiffs allege errors to the road design and/or signage. One minor was seriously injured, although none of the injuries were life-threatening, and he appears to have recovered. The parties are currently in the discovery phase of the litigation process, and it is unclear what the claimed damages will be, or a projected timeframe for resolution of the issues.

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

In January 2014, it was determined that the Library required an additional 0.32 acres of land, bringing their share of the original 8.4 acre purchase up to 2.82 acres. The Library paid the City an additional \$95,238 for the proportional share of the .32 acres relative to the purchase price of the entire 8.4 acre purchase. This brought the Library's share of the land

# City of Spokane Valley

## Notes to Financial Statements

### **NOTE 10 – CONTINGENCIES AND LITIGATION** *continued:*

purchase up to a total of 2.82 acres at a cost of \$839,285. At that point the City declared this 2.82 acres surplus to its needs, transferred title for this land to the Spokane County Library District, recognized \$839,285 as revenue and removed the land from capital assets. The interlocal agreement also provided that if the Library had not within five years following the acquisition of the land (in October 2017), secured voter approval of a construction bond for the library building and ancillary improvements, that the land would be re-conveyed back to the City at the same price paid by the Library (\$839,285). An amendment was made to the interlocal agreement in October 2017 which extended the agreement through October 2022 with the option to extend through October 2024. Through this amendment, the City also agreed to contribute \$1.3 million, of which the \$839,285 would be part, in frontage and/or joint site improvements on the Library site.

### **NOTE 11 – RECEIVABLE AND PAYABLE BALANCES:**

**A) Receivables:** Receivables at December 31, 2018, were as follows:

Governmental Type Activities	Accounts receivable (net)	Taxes receivable	Grants receivable	Due from other funds	Prepays & Other receivables	Deferred outflows	Total receivables
General fund	\$ 1,250,673	\$ 5,396,067	\$ 5,710	\$ 126,000	\$ 225,738	\$ -	7,004,188
Street fund	104,442	436,343	1,335	-	3,129	-	545,249
Street capital projects fund	76,632	-	865,064	-	-	-	941,696
Capital Reserve fund	-	-	-	-	17,298	-	17,298
Other governmental funds	131,795	397,159	456,979	-	26,633	-	1,012,566
<i>Reconciliation of balances in the fund financial statements to government-wide financial statements</i>	-	-	-	-	352,230	573,903	926,133
<b>Total Governmental type activities</b>	<b>\$ 1,563,542</b>	<b>\$ 6,229,569</b>	<b>\$ 1,329,088</b>	<b>\$ 126,000</b>	<b>\$ 625,028</b>	<b>\$ 573,903</b>	<b>\$ 10,447,130</b>
Business Type Activities	Accounts receivable (net)	Taxes receivable	Grants receivable	Due from other funds	Prepays & Other receivables	Deferred outflows	Total receivables
Stormwater management fund	\$ -	\$ 50,387	\$ 64,149	\$ -	24,249	\$ 25,009	\$ 163,794
Aquifer protection area fund	-	-	22,737	-	3,245	-	25,982
<b>Total Business type activities</b>	<b>\$ -</b>	<b>\$ 50,387</b>	<b>\$ 86,886</b>	<b>\$ -</b>	<b>\$ 27,494</b>	<b>\$ 25,009</b>	<b>\$ 189,776</b>

# City of Spokane Valley

## Notes to Financial Statements

### NOTE 11 – RECEIVABLE AND PAYABLE BALANCES *continued:*

**B) Payables:** Payables at December 31, 2018, were as follows:

Governmental Type Activities	Accounts payables	Salaries & benefits payable	Due to other funds	Deposits payables	Other liabilities	Unearned Revenues	Deferred inflows	Total Payables
General fund	\$ 1,268,398	\$ 502,452	\$ -	\$ 482,461	\$ -	\$ 2,924,083	\$ -	\$ 5,177,394
Street fund	511,130	59,341	-	58,498	-	147,907	-	776,876
Street capital projects fund	488,657	15,339	41,000	18,011	-	322,148	-	885,155
Capital reserve fund	-	-	-	-	-	-	-	-
Other governmental funds	390,071	16,504	-	35,298	-	251,813	-	693,685
<i>Reconciliation of balances in the fund financial statements to government-wide financial statements</i>	<i>2,612</i>	<i>-</i>	<i>85,000</i>	<i>-</i>	<i>36,946</i>	<i>3,645,952</i>	<i>1,549,348</i>	<i>5,319,858</i>
<b>Total Governmental type activities</b>	<b>\$2,660,868</b>	<b>\$ 593,636</b>	<b>\$ 126,000</b>	<b>\$ 594,268</b>	<b>\$ 36,946</b>	<b>\$ 7,291,902</b>	<b>\$ 1,549,348</b>	<b>\$ 12,852,968</b>
Business Type Activities	Accounts payables	Salaries & benefits payable	Due to other funds	Deposits payables	Other liabilities	Unearned Revenues	Deferred inflows	Total
Stormwater management fund	\$ 84,065	\$ 23,904	\$ -	\$ 79,022	\$ -	\$ 93,988	\$ 64,801	\$ 345,780
Aquifer protection area fund	50,307	49	-	-	-	2,717	-	53,073
<b>Total Business type activities</b>	<b>\$ 134,372</b>	<b>\$ 23,953</b>	<b>\$ -</b>	<b>\$ 79,022</b>	<b>\$ -</b>	<b>\$ 96,705</b>	<b>\$ 64,801</b>	<b>\$ 398,853</b>

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

Liability and receivable balances related to settle and adjust estimates as of December 31, 2018, are as follows:

Contract Year	(Liability) or Receivable Balance 1/1/18		New Estimate Made	Amount Settled in 2018	(Liability) or Receivable Balance 12/31/18	
	1/1/18	Made			2018	12/31/18
2015	\$ (51,105)	\$ -		\$ (2,412)	\$ (53,517)	
2016	1,062,986	-		(1,087,573)	(24,587)	
2017	727,709	-		81,777	809,486	
2018	-	(268,146)		-	(268,146)	

# City of Spokane Valley

---

## Notes to Financial Statements

---

### **NOTE 11 – RECEIVABLE AND PAYABLE BALANCES *continued*:**

During early 2018, the City was notified that the 2016 Sheriff contract was settled with a result of the County owing the City a refund for overpayment in the amount of \$1,035,036 as compared to the original payable of \$450,740 that was estimated at the end of 2015. In order to properly reflect the new balance of the receivable, the City recorded an additional receivable balance and reduction in expenditure of \$973,445 as of the end of 2016. The settlement was received by the City throughout 2018 as reflected as a reduction in the amount owed on the Sheriff Law Enforcement contract invoices each month.

For 2018, the City estimated that it would owe a net payable to the County on the contracted services for a total recorded payable of \$268,146, which was adjusted against the 2018 contract expenditures.

### **NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):**

---

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

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

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

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health Cooperative/Group Health Options, Inc, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with companion life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

# City of Spokane Valley

---

## Notes to Financial Statements

---

### ***NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) continued :***

---

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

AWC Employee Benefit Trust  
1076 Franklin Street SE  
Olympia, WA 98501  
360-753-4137  
[wacities.org/Trust](http://wacities.org/Trust)

### **OPEB Plan Description**

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

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

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

All employees of the City, which numbered 89.25 FTEs in 2018, are covered under the benefit terms of the plan; however, the City does not have any inactive employees participating in the plan as of December 31, 2018. All premiums under the plan are paid by the inactive employees participating in the plan, and therefore, the City has no contribution requirements. As the City has no contribution requirements to the plan and the retiree medical plan subsidy was eliminated as of January 1, 2018, the City has no OPEB liability.

# City of Spokane Valley

## Notes to Financial Statements

### ***NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) continued:***

Participating employers are not contractually required to contribute to the Trust. The retirees who elect coverage through the Trust pay 100 percent of the premium. As such, the City of Spokane Valley did not have any contributions to the Trust for the year ended December 31, 2017.

***Funding Status and Funding Progress:*** The funded status of the AWC Employee Benefits Trust Health Care Program as of January 1, 2017, which was the date of the last actuarial valuation, was as follows (*dollars in thousands*):

Actuarial accrued liability (AAL)	\$ 8,297
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,297</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	N/A <sup>1</sup>
UAAL as a percentage of covered payroll	N/A <sup>1</sup>

<sup>1</sup> Covered Payroll information was not provided to the AWC Trust.

The schedule of funding progress is also presented as *required supplementary information* (RSI) following these Notes to the Financial Statements, and the schedule presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The AWC Employees Benefits Trust had substantial assets recorded as of December 31, 2016.

The AWC Employee Benefits Trust's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 will be determined with the next conducted actuarial analyses scheduled for January 1, 2018. The reported years of 2009 through 2017 were as follows (*dollars in thousands*):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>		<b>OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2009	\$ 29,872		7.86%	\$ 55,364
12/31/2010	27,892		4.42%	82,022
12/31/2012	12,885		7.77%	130,474
12/31/2013	11,858		9.20%	141,241
12/31/2014	1,273		61.19%	34,407
12/31/2015	83 <sup>1</sup>		310.89% <sup>1</sup>	5,911
12/31/2016	650		39.69%	6,264
12/31/2017	945		22.33%	8,297

1) Adjustments to Net OPEB Obligation reported

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

## **Required Supplementary Information**



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget to Actual*

**General Fund, Major Fund**

*For the Year Ended December 31, 2018*

	<b>Budgeted Amounts</b>			Variance with Final Budget Over (Under)	
	<b>Approved</b>	<b>Final</b>	<b>Actual</b>		
	<b>Original Budget</b>	<b>Amended Budget</b>			
<b>Revenues</b>					
Taxes	\$ 35,764,800	\$ 35,764,800	\$ 37,712,211	\$ 1,947,411	
Licenses and permits	2,895,100	2,895,100	3,929,192	1,034,092	
Intergovernmental revenues	2,164,600	2,164,600	2,530,204	365,604	
Charges for services	588,300	588,300	658,232	69,932	
Fines and forfeitures	633,300	633,300	467,589	(165,711)	
Investment interest	136,000	136,000	690,528	554,528	
Miscellaneous	742,400	742,400	592,301	(150,099)	
<i>Total Revenues</i>	<i>42,924,500</i>	<i>42,924,500</i>	<i>46,580,257</i>	<i>3,655,757</i>	
<b>Expenditures</b>					
Current:					
General government	5,359,017	5,374,064	4,757,273	(616,791)	
Public safety	25,624,251	25,624,251	24,761,985	(862,266)	
Utilities and physical environment	3,888,374	3,889,080	825,965	(3,063,115)	
Economic environment	160,000	160,000	1,069,927	909,927	
Community development	970,642	970,870	2,486,453	1,515,583	
Culture and recreation	3,006,254	3,000,213	2,806,150	(194,063)	
Debt service:					
Interest	600	600	600	-	
Capital Outlay:					
Capital expenditures	288,700	488,700	200,599	(288,101)	
Construction in progress	-	-	-	-	
<i>Total Expenditures</i>	<i>39,297,838</i>	<i>39,507,778</i>	<i>36,908,952</i>	<i>(2,598,826)</i>	
<i>Excess (Deficiency) of Revenues</i>	<i>3,626,662</i>	<i>3,416,722</i>	<i>9,671,305</i>	<i>6,254,583</i>	
<i>Over (Under) Expenditures</i>					
<b>Other Financing Sources (Uses)</b>					
Transfers in	123,525	123,525	119,562	(3,963)	
Transfers (out)	(3,328,650)	(6,643,804)	(6,637,285)	(6,519)	
<i>Total Other Financing Sources (Uses)</i>	<i>(3,205,125)</i>	<i>(6,520,279)</i>	<i>(6,517,723)</i>	<i>(2,556)</i>	
<i>Net Change in Fund Balances (deficit)</i>	<i>421,537</i>	<i>(3,103,557)</i>	<i>3,153,582</i>	<i>6,257,139</i>	
<i>Fund Balances Beginning of Year:</i>	<i>39,464,222</i>	<i>39,464,222</i>	<i>39,464,222</i>	<i>-</i>	
<b><i>Fund Balances End of Year:</i></b>	<b><i>\$ 39,885,759</i></b>	<b><i>\$ 36,360,665</i></b>	<b><i>\$ 42,617,804</i></b>	<b><i>\$ 6,257,139</i></b>	

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

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

*Budget and Actual*

**Street Fund, Major Fund**

*For the Year Ended December 31, 2018*

---

	<b>Budgeted Amounts</b>			Variance with Final Budget Over (Under)
	Approved Original Budget	Final Amended Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,854,641	\$ (45,359)
Intergovernmental revenues	2,186,200	2,186,200	2,196,916	10,716
Charges for services	70,000	70,000	94,571	24,571
Investment interest	6,000	6,000	17,504	11,504
Miscellaneous	10,000	10,000	97,958	87,958
<i>Total Revenues</i>	<i>4,172,200</i>	<i>4,172,200</i>	<i>4,261,590</i>	<i>89,390</i>
<b>Expenditures</b>				
Current:				
Utilities and physical environment	170,000	170,000	217,733	47,733
Transportation	4,310,249	4,310,704	4,180,669	(130,035)
Debt Service:				
Principal retirement	-	-	-	-
Capital Outlay:				
Capital expenditures	15,000	15,000	17,252	2,252
Construction in progress	-	-	21,216	21,216
<i>Total Expenditures</i>	<i>4,495,249</i>	<i>4,495,704</i>	<i>4,436,870</i>	<i>(58,834)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(323,049)</i>	<i>(323,504)</i>	<i>(175,280)</i>	<i>148,224</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	(107,042)	(107,042)	(107,042)	-
<i>Total Other Financing Sources (Uses)</i>	<i>(107,042)</i>	<i>(107,042)</i>	<i>(107,042)</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(430,091)</i>	<i>(430,546)</i>	<i>(282,322)</i>	<i>148,224</i>
<i>Fund Balances Beginning of Year</i>	<i>1,067,294</i>	<i>1,067,294</i>	<i>1,067,294</i>	<i>-</i>
<b><i>Fund Balances End of Year (Deficit)</i></b>	<b><i>\$ 637,203</i></b>	<b><i>\$ 636,748</i></b>	<b><i>\$ 784,972</i></b>	<b><i>\$ 148,224</i></b>

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*City of Spokane Valley*  
*Schedule of Proportionate Share of Net Pension Liability*  
*PERS 1*  
*For the Year Ended December 31, 2018*

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
<b>Employer's proportion of the net pension liability (asset)</b>	<b>0.053037%</b>	<b>0.054158%</b>	<b>0.042511%</b>
<b>Employer's proportionate share of the net pension liability</b>	<b>\$ 2,848,337</b>	<b>\$ 2,569,839</b>	<b>\$ 1,898,556</b>
<b>Total</b>	<b>\$ 2,848,337</b>	<b>\$ 2,569,839</b>	<b>\$ 1,898,556</b>
<b>Employer's covered payroll</b>	<b>\$ 6,628,805</b>	<b>\$ 6,142,722</b>	<b>\$ 6,824,257</b>
<b>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</b>	<b>42.97%</b>	<b>41.84%</b>	<b>27.82%</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>57.03%</b>	<b>61.24%</b>	<b>63.22%</b>
<i>Provided from note 2 of DRS Participating Employer Financial Information report (PEFI) for the % of each plan.<sup>1</sup></i>			

<sup>1</sup> Measurement date of June 30, 2018, for the State sponsored pension plans.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

***City of Spokane Valley***  
***Schedule of Proportionate Share of Net Pension Liability***  
***PERS 2/3***  
***For the Year Ended December 31, 2018***

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
<b>Employer's proportion of the net pension liability (asset)</b>	<b>0.067862%</b>	<b>0.069662%</b>	<b>0.054837%</b>
<b>Employer's proportionate share of the net pension liability</b>	<b>\$ 3,416,798</b>	<b>\$ 2,420,422</b>	<b>\$ 936,293</b>
<b>Total</b>	<b>\$ 3,416,798</b>	<b>\$ 2,420,422</b>	<b>\$ 936,293</b>
<b>Employer's covered payroll</b>	<b>\$ 6,628,805</b>	<b>\$ 6,142,722</b>	<b>\$ 6,824,257</b>
<b>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</b>	<b>51.54%</b>	<b>39.40%</b>	<b>13.72%</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>85.82%</b>	<b>90.97%</b>	<b>95.77%</b>
<i>Provided from note 2 of DRS Participating Employer Financial Information report (PEFI) for the % of each plan.<sup>1</sup></i>			

<sup>1</sup> Measurement date of June 30, 2018, for the State sponsored pension plans.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

*City of Spokane Valley*  
*Schedule of Employer Contributions*  
*PERS 1 (three year trend)<sup>1</sup>*  
*For the Year Ended December 31, 2018*

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Statutorily or contractually required contributions	\$ 305,736	\$ 300,891	\$ 325,842
Contributions in relation to the statutorily or contractually required contributions	\$ (305,736)	\$ (300,891)	\$ (325,842)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,628,805	\$ 6,142,722	\$ 6,824,257
Contributions as a percentage of covered employee payroll	4.61%	4.90%	4.77%
<i>City of Spokane Valley does not currently have active PERS 1 pension plan participants. As such, PERS 1 contributions represent the Unfunded Actuarial Liability (UAAL) as calculated by The Department of Retirement Systems.</i>			
<i>1) Until a full 10-year trend can be compiled, three year trend information is presented for the PERS 2/3 pension plan as of 12/31/2018.</i>			

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*City of Spokane Valley*  
*Schedule of Employer Contributions*  
*PERS (2/3 three year trend)<sup>1</sup>*  
*For the Year Ended December 31, 2018*

	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2017</b>	<b>Fiscal Year 2018</b>
<b>Statutorily or contractually required contributions</b>	<b>\$ 399,315</b>	<b>\$ 420,895</b>	<b>\$ 482,606</b>
<b>Contributions in relation to the statutorily or contractually required contributions</b>	<b>\$ (399,315)</b>	<b>\$ (420,895)</b>	<b>\$ (482,606)</b>
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Employer's covered payroll</b>	<b>\$ 6,628,805</b>	<b>\$ 6,142,722</b>	<b>\$ 6,824,257</b>
<b>Contributions as a percentage of covered employee payroll</b>	<b>6.02%</b>	<b>6.85%</b>	<b>7.07%</b>
<i>1) Until a full 10-year trend can be compiled, three year trend information is presented for the PERS 2/3 pension plan as of 12/31/2018.</i>			

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

## **Supplementary Information**



# **City of Spokane Valley, Washington**

## **Comprehensive Annual Financial Report - Fiscal Year 2018**

---

### **Non-Major Special Revenue Funds**

**Special Revenue Funds:** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes and activities other than debt service or capital projects.

**Trails & Paths Special Revenue Fund** ----- accounts for the receipts and expenditures from the State-Levied motor vehicle fuel tax distributed to the City according to State RCW 47.30.050. These revenues originate from a share of 0.42% from the motor vehicle fuel tax that's attributable to Street Maintenance. These funds are restricted for the primary purpose of constructing and maintaining new trails and paths throughout the City.

**Tourism Facilities Hotel/Motel Tax Fund** ----- accounts for the receipts and expenditures related to a special excise tax of 1.3% on the sale or charge made for the furnishing of lodging under Washington State RCW 82.08. These resources may only be used for capital related expenditures for acquiring, constructing, making improvements to or other related capital expenditures for large sporting venues, or venues for tourism-related facilities.

**Hotel/Motel Special Revenue Fund** ----- accounts for both receipts and expenditures related to a special excise tax of two percent from the sale or charge made of furnishing lodging under State RCW 67.28.180. These funds are solely used for the purpose of paying all or any part of the cost from tourist promotion, acquisition or operation of tourism related facilities, and marketing those special events and festivals designed to attract more attention to the City increasing tourism.

**Solid Waste Fund** ----- revenues are collected by way of a contract with Sunshine Recyclers and the City of Spokane Valley, effective as of November 17, 2014. The ten year contract imposes an annual administrative fee of \$125,000 for solid waste disposal and waste transfer services provided to the Valley Public by Sunshine Recyclers.

**PEG Fund** ----- restricted financial resources and capital contributions received quarterly under the City's cable franchise. The franchisee remits to the City as a capital contribution in support of the Public Education Government (PEG) capital requirements in an amount equal to \$0.35 per subscriber per month and to be paid to the City on a quarterly basis during the life of the franchise. These Capital contributions collected under this agreement are then allocated and used exclusively for PEG capital purposes. PEG capital uses include, in part, the set up of equipment in the City Council Chambers to allow Spokane Valley to broadcast Council meetings both in live and through subsequent reviews format via digital recordings on the City's website.

**Winter Weather Reserve Fund** ----- allocated reserve of money and financial resources specifically designated for the purpose of providing emergency road-infrastructure services during extreme and harsh winter weather circumstances.

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

***Non-Major Debt Service Funds***

**Debt Service Funds:** are used to account for financial resources accumulated for the purposes of payments made to the principal and interest on long-term debt of the City of Spokane Valley's governmental funds.

***LTGO Debt Service Fund*** ----- The City of Spokane Valley's Limited Tax General Obligation (LTGO) Debt Service Fund collects and distributes financial resources received and paid for the payment of long-term debt obligations. Revenue consists of funding received from the Public Facility District and City's revenue sources. These financial resources are used to pay the required annual obligations on outstanding LTGO bonds.

# **City of Spokane Valley, Washington**

## **Comprehensive Annual Financial Report - Fiscal Year 2018**

---

### **Non-Major Capital Project Funds**

**Capital Project Funds:** are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities, improvements, and other capital assets.

**Civic Facilities Replacement Fund** ----- Delegated authorized reserves of funding and financial resources specifically established for the purpose of setting aside capital replacement funds for the City's Buildings.

**REET 1 Capital Projects Fund** ----- The Capital Projects Fund serves as a restricted REET 1 service and matching fund for various major construction projects. This fund accounts for the collection and expenditure of the real estate excise tax (REET) revenue, the 1st quarter of 1% is levied on all sales of real estate property within the city. This 1st quarter is a restricted portion of tax receipts collected, received, and spent on specific capital improvements identified in the City's Capital Improvements Plan.

**REET 2 Capital Projects Fund** ----- The Special Capital Projects Fund serves as a matching fund for various special construction projects. This fund accounts for the collection and expenditure of the real estate excise tax (REET) revenue, the 2nd quarter of 1% is levied on all sales of real estate property within the city. This 2nd quarter REET 2 is a restricted portion of tax receipts received, collected, and spent on specific capital improvements identified in the City's Capital Improvements Plan.

**Parks Capital Projects Fund** ----- Accounts for the City's park capital improvement projects funded by revenues that are allocated as reserve or specifically designated for Parks and Recreational Capital plans including: future expansion of parks, construction, improvements, and long-term maintenance of all the City's park facilities.

**Civic Buildings Capital Projects Fund** ----- Accounts for capital improvement projects funded by revenues allocated as a reserve or specifically designated for future expansion and construction of Civic Buildings for the City of Spokane Valley. Revenues are in the form of transfers from the General Fund.

**Pavement Preservation Fund** ----- Accounts for pavement preservation projects. Revenues include transfers from the General Fund, Street Fund, Civic Facilities Replacement Fund, REET 1 Capital Projects Fund, and REET 2 Capital Projects Fund, as well as Federal, State and local grants.

**City Hall Construction Fund** ----- Accounts for the accumulation of resources used to finance the construction of the new City Hall Building. Revenues include LTGO Bond issue proceeds.

**Railroad Grade Separation Projects Fund** ----- Accounts for the design and construction costs of various railroad grade separation projects that are included in the Bridging the Valley concept. Revenues for this fund consist of grant proceeds and transfers in from other City funds, such as General Fund, REET 1 Capital Projects Fund, and the Capital Reserve Fund.

***City of Spokane Valley, Washington***

***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

***Combining Financial Statements***

***Non-Major Funds***

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Combining Balance Sheet**

*Non-major Governmental Funds*

*December 31, 2018*

	<b>Non-major Special Revenue Funds</b>	<b>Non-major Debt Service Fund</b>	<b>Non-major Capital Projects Funds</b>	<b>Total Non-major Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,071,136	\$ -	\$ 12,209,604	\$ 15,280,740
Taxes receivable	118,881	-	278,278	397,159
Accounts receivable, (net)	131,795	-	-	131,795
Interest receivable	7,124	-	19,509	26,633
Grants receivable	3,166	-	453,813	456,979
<b>Total Assets</b>	<b>\$ 3,332,102</b>	<b>\$ -</b>	<b>\$ 12,961,204</b>	<b>\$ 16,293,306</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 47,635	\$ -	\$ 342,436	\$ 390,071
Accrued payroll payable	536	-	15,968	16,504
Retainage payable	11,104	-	24,194	35,298
Unearned revenue	52,149	-	199,664	251,813
<b>Total Liabilities</b>	<b>\$ 111,424</b>	<b>\$ -</b>	<b>\$ 582,262</b>	<b>\$ 693,686</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Trails & paths	5,417	-	-	5,417
Hotel & motel tourism facilities promotion	1,918,072	-	-	1,918,072
Hotel & motel tourism promotion	277,929	-	-	277,929
PEG capital uses	84,831	-	-	84,831
Windstorm 2015 - FEMA grant	3,166	-	-	3,166
Capital projects REET 1 roads & streets	-	-	2,480,268	2,480,268
Capital projects REET 2 roads & streets	-	-	3,240,220	3,240,220
Parks & recreational capital improvements	-	-	39,294	39,294
Street capital improvements p&m	-	-	1,046,839	1,046,839
Civic facilities construction	-	-	87,636	87,636
Railroad grade separation projects	-	-	1,036,472	1,036,472
<b>Committed to:</b>				
Winter weather street operations	499,904	-	-	499,904
<b>Assigned to:</b>				
Solid waste services	431,359	-	-	431,359
Civic building capital replacement	-	-	857,737	857,737
Parks & recreation capital improvements	-	-	-	-
Street capital improvements p&m	-	-	3,590,476	3,590,476
Railroad grade separation projects	-	-	-	-
<b>Unassigned:</b>				
<b>Total Fund Balances</b>	<b>\$ 3,220,678</b>	<b>\$ -</b>	<b>\$ 12,378,942</b>	<b>\$ 15,599,620</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,332,102</b>	<b>\$ -</b>	<b>\$ 12,961,204</b>	<b>\$ 16,293,306</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Combining Balance Sheet**

*Non-major Special Revenue Funds*

*December 31, 2018*

<b>Assets</b>	<b>Tourism Facilities</b>			
	<b>Trails &amp; Paths</b>	<b>Hotel/Motel</b>	<b>Hotel/Motel</b>	<b>Solid Waste</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>
Cash and cash equivalents	\$ 4,784	\$ 1,889,478	\$ 278,609	\$ 318,096
Taxes receivable	1,249	45,403	72,229	-
Accounts receivable, (net)	-	-	-	111,901
Interest receivable	8	2,851	964	2,292
Grants receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ 6,041</b>	<b>\$ 1,937,732</b>	<b>\$ 351,802</b>	<b>\$ 432,289</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 42,008	\$ 394
Accrued payroll payable	-	-	-	536
Retainage payable	-	-	-	-
Unearned revenue	624	19,660	31,865	-
<b>Total Liabilities</b>	<b>624</b>	<b>19,660</b>	<b>73,873</b>	<b>930</b>
<b>Fund Balances:</b>				
Restricted for:				
Trails & paths	5,417	-	-	-
Hotel & motel tourism facilities promotion	-	1,918,072	-	-
Hotel & motel tourism promotion	-	-	277,929	-
PEG capital uses	-	-	-	-
Windstorm 2015 - FEMA grant	-	-	-	-
Committed to:				
Winter weather street operations	-	-	-	-
Assigned to:				
Solid waste services	-	-	-	431,359
<b>Total Fund Balances</b>	<b>5,417</b>	<b>1,918,072</b>	<b>277,929</b>	<b>431,359</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,041</b>	<b>\$ 1,937,732</b>	<b>\$ 351,802</b>	<b>\$ 432,289</b>

*continued*

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Combining Balance Sheet**

*Non-major Special Revenue Funds*

*December 31, 2018*

<b>Assets</b>	<b>PEG Fund</b>	<b>Winter Weather Reserve Fund</b>	<b>Total Non-major Special Revenue Funds</b>	
			<b>\$ 3,071,136</b>	<b>\$ 118,881</b>
Cash and cash equivalents	\$ 81,133	\$ 499,036		
Taxes receivable	-	-		
Accounts receivable, (net)	19,894	-		
Interest receivable	141	868		
Grants receivable	-	3,166		
<b>Total Assets</b>	<b>\$ 101,168</b>	<b>\$ 503,070</b>	<b>\$ 3,332,102</b>	
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 5,233	\$ -	\$ 47,635	
Accrued payroll payable	-	-		536
Retainage payable	11,104	-		11,104
Unearned revenue	-	-		52,149
<b>Total Liabilities</b>	<b>16,337</b>	<b>-</b>	<b>111,424</b>	
<b>Fund Balances:</b>				
Restricted for:				
Trails & paths	-	-		5,417
Hotel & motel tourism facilities promotion	-	-		1,918,072
Hotel & motel tourism promotion	-	-		277,929
PEG capital uses	84,831	-		84,831
Windstorm 2015 - FEMA grant	-	3,166		3,166
Committed to:				
Winter weather street operations	-	499,904		499,904
Assigned to:				
Solid waste services	-	-		431,359
<b>Total Fund Balances</b>	<b>84,831</b>	<b>503,070</b>	<b>3,220,678</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 101,168</b>	<b>\$ 503,070</b>	<b>\$ 3,332,102</b>	

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**Combining Balance Sheet**

**Non-major Capital Project Funds**

**December 31, 2018**

	REET 1 Capital Projects Fund	REET 2 Capital Projects Fund	Parks Capital Projects Fund	Civic Buildings Capital Projects Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 2,343,448	\$ 3,101,799	\$ 157,560	\$ 856,248
Taxes receivable	139,139	139,139	-	-
Interest receivable	5,262	6,863	-	1,489
Grants receivable	-	-	103,007	-
<b>Total Assets</b>	<b>\$ 2,487,849</b>	<b>\$ 3,247,801</b>	<b>\$ 260,567</b>	<b>\$ 857,737</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 122,963	\$ -
Accrued payroll payable	-	-	1,058	-
Retainage payable	-	-	7,845	-
Unearned revenue	7,581	7,581	89,407	-
<b>Total Liabilities</b>	<b>7,581</b>	<b>7,581</b>	<b>221,273</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted for:				
Capital projects REET 1 roads & streets	2,480,268	-	-	-
Capital projects REET 2 roads & streets	-	3,240,220	-	-
Parks & recreational capital improvements	-	-	39,294	-
Street capital improvements p&m	-	-	-	-
Civic facilities construction	-	-	-	-
Railroad grade separation projects	-	-	-	-
Assigned to:				
Civic building capital replacement	-	-	-	857,737
Parks & recreation capital improvements	-	-	-	-
Street capital improvements p&m	-	-	-	-
Capital reserve improvements (city wide)	-	-	-	-
Railroad grade separation projects	-	-	-	-
<b>Total Fund Balances</b>	<b>2,480,268</b>	<b>3,240,220</b>	<b>39,294</b>	<b>857,737</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,487,849</b>	<b>\$ 3,247,801</b>	<b>\$ 260,567</b>	<b>\$ 857,737</b>

*continued*

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

*Combining Balance Sheet*

*Non-major Capital Project Funds*

*December 31, 2018*

	Pavement Preservation Fund	City Hall Construction Fund	Railroad Grade Separation Projects Fund	Total Non-major Capital Projects Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,777,109	\$ 87,484	\$ 885,956	\$ 12,209,604
Taxes receivable	-	-	-	278,278
Interest receivable	4,184	152	1,559	19,509
Grants receivable	46,839	-	303,967	453,813
<b>Total Assets</b>	<b>\$ 4,828,132</b>	<b>\$ 87,636</b>	<b>\$ 1,191,482</b>	<b>\$ 12,961,204</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 142,104	\$ -	\$ 77,369	\$ 342,436
Accrued payroll payable	12,897	-	2,013	15,968
Retainage payable	16,349	-	-	24,194
Unearned revenue	19,467	-	75,628	199,664
<b>Total Liabilities</b>	<b>190,817</b>	<b>-</b>	<b>155,010</b>	<b>582,262</b>
<b>Fund Balances:</b>				
Restricted for:				
Capital projects REET 1 roads & streets	-	-	-	2,480,268
Capital projects REET 2 roads & streets	-	-	-	3,240,220
Parks & recreational capital improvements	-	-	-	39,294
Street capital improvements p&m	1,046,839	-	-	1,046,839
Civic facilities construction	-	87,636	-	87,636
Railroad grade separation projects	-	-	1,036,472	1,036,472
Assigned to:				
Civic building capital replacement	-	-	-	857,737
Parks & recreation capital improvements	-	-	-	-
Street capital improvements p&m	3,590,476	-	-	3,590,476
Capital reserve improvements (city wide)	-	-	-	-
Railroad grade separation projects	-	-	-	-
<b>Total Fund Balances</b>	<b>4,637,315</b>	<b>87,636</b>	<b>1,036,472</b>	<b>12,378,942</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,828,132</b>	<b>\$ 87,636</b>	<b>\$ 1,191,482</b>	<b>\$ 12,961,204</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Non-major Governmental Funds*

*For the Year Ended December 31, 2018*

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Fund</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 1,062,269	\$ -	\$ 3,936,634	\$ 4,998,903
Licenses and permits	81,322	-	-	81,322
Intergovernmental revenues	8,703	414,050	3,599,487	4,022,240
Charges for services	1,290,929	-	-	1,290,929
Investment interest	50,441	-	195,870	246,311
Miscellaneous revenues	-	-	17	17
<i>Total Revenues</i>	<i>2,493,664</i>	<i>414,050</i>	<i>7,732,008</i>	<i>10,639,722</i>
<b>Expenditures</b>				
Current:				
General government	38,955	-	-	38,955
Public safety	-	-	-	-
Utilities and physical environment	22,313	-	-	22,313
Transportation	-	-	43,611	43,611
Economic environment	321,934	-	-	321,934
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	520,000	-	520,000
Interest expense	-	457,400	-	457,400
Bonds issuance costs	-	-	-	-
Capital Outlay:				
Capital expenditures	13,344	-	6,047,277	6,060,621
Construction in progress	-	-	754,799	754,799
<i>Total Expenditures</i>	<i>396,546</i>	<i>977,400</i>	<i>6,845,687</i>	<i>8,219,633</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>2,097,118</i>	<i>(563,350)</i>	<i>886,321</i>	<i>2,420,089</i>
<b>Other Financing Sources</b>				
Transfers In	740,000	563,350	4,315,419	5,618,769
Transfers (out)	(1,366,462)	-	(3,458,868)	(4,825,330)
<i>Total Other Financing Sources</i>	<i>(626,462)</i>	<i>563,350</i>	<i>856,551</i>	<i>793,439</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>1,470,656</i>	<i>-</i>	<i>1,742,872</i>	<i>3,213,528</i>
<i>Fund Balances Beginning of Year</i>	<i>1,750,022</i>	<i>-</i>	<i>10,636,070</i>	<i>12,386,092</i>
<i>Fund Balances End of Year</i>	<i>\$ 3,220,678</i>	<i>\$ -</i>	<i>\$ 12,378,942</i>	<i>\$ 15,599,620</i>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

**Non-major Special Revenue Funds**

**For the Year Ended December 31, 2018**

	Trails & Paths Fund	Tourism Facilities Motel/Fund	Hotel Motel Fund	Solid Waste Fund
<b>Revenues</b>				
Taxes	\$ -	\$ 415,294	\$ 646,975	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	8,703	-	-	-
Charges for services	-	-	-	1,290,929
Investment interest	390	24,183	7,058	12,486
Miscellaneous revenues	-	-	-	-
<i>Total Revenues</i>	<i>9,093</i>	<i>439,477</i>	<i>654,033</i>	<i>1,303,415</i>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and physical environment	-	-	-	22,313
Transportation	-	-	-	-
Economic environment	-	-	321,934	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Capital Outlay:				
Capital expenditures	-	-	-	-
Construction in progress	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>321,934</i>	<i>22,313</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>9,093</i>	<i>439,477</i>	<i>332,099</i>	<i>1,281,102</i>
<b>Other Financing Sources</b>				
Transfers in	-	250,000	-	-
Transfers (out)	(50,000)	-	(276,037)	(1,040,425)
<i>Total Other Financing Sources</i>	<i>(50,000)</i>	<i>250,000</i>	<i>(276,037)</i>	<i>(1,040,425)</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(40,907)</i>	<i>689,477</i>	<i>56,062</i>	<i>240,677</i>
<i>Fund Balances Beginning of Year</i>	<i>46,324</i>	<i>1,228,595</i>	<i>221,867</i>	<i>190,682</i>
<i>Fund Balances End of Year</i>	<b><i>\$ 5,417</i></b>	<b><i>\$ 1,918,072</i></b>	<b><i>\$ 277,929</i></b>	<b><i>\$ 431,359</i></b>

*continued*

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

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

***Non-major Special Revenue Funds***

***For the Year Ended December 31, 2018***

	PEG Fund	Winter Weather Reserve Fund	Total Non-major Special Revenue Funds
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ 1,062,269
Licenses and permits	81,322	-	81,322
Intergovernmental revenues	-	-	8,703
Charges for services	-	-	1,290,929
Investment interest	971	5,353	50,441
Miscellaneous revenues	-	-	-
<i>Total Revenues</i>	<u>82,293</u>	<u>5,353</u>	<u>2,493,664</u>
<b>Expenditures</b>			
Current:			
General government	38,955	-	38,955
Public safety	-	-	-
Utilities and physical environment	-	-	22,313
Transportation	-	-	-
Economic environment	-	-	321,934
Culture and recreation	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest expense	-	-	-
Capital Outlay:			
Capital expenditures	13,344	-	13,344
Construction in progress	-	-	-
<i>Total Expenditures</i>	<u>52,299</u>	<u>-</u>	<u>396,546</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>29,994</u>	<u>5,353</u>	<u>2,097,118</u>
<b>Other Financing Sources</b>			
Transfers in	-	490,000	740,000
Transfers (out)	-	-	(1,366,462)
<i>Total Other Financing Sources</i>	<u>-</u>	<u>490,000</u>	<u>(626,462)</u>
<i>Net Change in Fund Balances (deficit)</i>	<u>29,994</u>	<u>495,353</u>	<u>1,470,656</u>
<i>Fund Balances Beginning of Year</i>	<u>54,837</u>	<u>7,717</u>	<u>1,750,022</u>
<i>Fund Balances End of Year</i>	<b><u>\$ 84,831</u></b>	<b><u>\$ 503,070</u></b>	<b><u>\$ 3,220,678</u></b>

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

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

***Non-Major Debt Service Funds (LTGO Bonds Fund)***

*For the Year Ended December 31, 2018*

---

	<b>Debt Service LTGO Bonds Fund</b>
<b>Revenues</b>	
Taxes	\$ -
Intergovernmental revenues	414,050
Investment interest	-
Miscellaneous revenues	-
 <i>Total Revenues</i>	 414,050
 <b>Expenditures</b>	
Current:	
General government	-
Debt service:	
Principal retirement	520,000
Interest expense	457,400
Bonds issuance costs	-
Capital Outlay:	
Capital expenditures	-
Construction in progress	-
<i>Total Expenditures</i>	 977,400
 <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	 (563,350)
 <b>Other Financing Sources</b>	
Transfers In	563,350
Transfers (out)	-
 <i>Total Other Financing Sources</i>	 563,350
 <i>Net Change in Fund Balances</i>	 -
 <i>Fund Balances Beginning of Year</i>	 -
<b><i>Fund Balances End of Year</i></b>	 \$ -

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

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

*Non-major Capital Project Funds*

*For the Year Ended December 31, 2018*

	REET 1 Capital Projects Fund	REET 2 Capital Projects Fund	Parks Capital Projects Fund	Civic Bldgs Capital Projects Fund
<b>Revenues</b>				
Taxes	\$ 1,968,317	\$ 1,968,317	\$ -	\$ -
Intergovernmental revenues	-		1,605,947	-
Investment interest	47,045	61,879	183	14,049
Miscellaneous revenues	-		-	-
<i>Total Revenues</i>	<b>2,015,362</b>	<b>2,030,196</b>	<b>1,606,130</b>	<b>14,049</b>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and physical environment	-	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Capital Outlay:				
Capital expenditures	-	-	2,552,694	-
Construction in progress	-	-	63,210	-
<i>Total Expenditures</i>	<b>-</b>	<b>-</b>	<b>2,615,904</b>	<b>-</b>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<b>2,015,362</b>	<b>2,030,196</b>	<b>(1,009,774)</b>	<b>14,049</b>
<b>Other Financing Sources</b>				
Transfers in	-	-	922,866	-
Transfers (out)	<b>(1,660,468)</b>	<b>(1,798,400)</b>	<b>-</b>	<b>-</b>
<i>Total Other Financing Sources</i>	<b>(1,660,468)</b>	<b>(1,798,400)</b>	<b>922,866</b>	<b>-</b>
<i>Net Change in Fund Balances (deficit)</i>	354,894	231,796	(86,908)	14,049
<i>Fund Balances Beginning of Year</i>	<b>2,125,374</b>	<b>3,008,424</b>	<b>126,202</b>	<b>843,688</b>
<i>Fund Balances End of Year</i>	<b>\$ 2,480,268</b>	<b>\$ 3,240,220</b>	<b>\$ 39,294</b>	<b>\$ 857,737</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Non-major Capital Project Funds*

*For the Year Ended December 31, 2018*

	Pavement Preservation Fund	City Hall Construction Fund	Railroad Grade Separation Projects Fund	Total Non-major Capital Projects Funds
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 3,936,634
Intergovernmental revenues	1,422,404	-	571,136	3,599,487
Investment interest	54,724	1,416	16,574	195,870
Miscellaneous revenues	-	-	17	17
<i>Total Revenues</i>	<i>1,477,128</i>	<i>1,416</i>	<i>587,727</i>	<i>7,732,008</i>
<b>Expenditures</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and physical environment	-	-	-	-
Transportation	43,611	-	-	43,611
Debt service:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Capital Outlay:				
Capital expenditures	3,479,727	14,856	-	6,047,277
Construction in progress	79,678	-	611,911	754,799
<i>Total Expenditures</i>	<i>3,603,016</i>	<i>14,856</i>	<i>611,911</i>	<i>6,845,687</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(2,125,888)</i>	<i>(13,440)</i>	<i>(24,184)</i>	<i>886,321</i>
<b>Other Financing Sources</b>				
Transfers in	3,400,700	-	(8,147)	4,315,419
Transfers (out)	-	-	-	(3,458,868)
<i>Total Other Financing Sources</i>	<i>3,400,700</i>	<i>-</i>	<i>(8,147)</i>	<i>856,551</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>1,274,812</i>	<i>(13,440)</i>	<i>(32,331)</i>	<i>1,742,872</i>
<i>Fund Balances Beginning of Year</i>	<i>3,362,503</i>	<i>101,076</i>	<i>1,068,803</i>	<i>10,636,070</i>
<i>Fund Balances End of Year</i>	<b><i>\$ 4,637,315</i></b>	<b><i>\$ 87,636</i></b>	<b><i>\$ 1,036,472</i></b>	<b><i>\$ 12,378,942</i></b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**Trails & Paths and Tourism Facilities Hotel/Motel, Non-major Special Revenue Funds**

*For the Year Ended December 31, 2018*

	<b>Trails &amp; Paths Special Revenue Fund</b>			<b>Tourism Facilities Hotel/Motel Special Revenue Fund</b>		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ 377,000	\$ 415,294	\$ 38,294
Intergovernmental revenues	8,700	8,703	3	-	-	-
Investment interest	-	390	390	1,500	24,183	22,683
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>8,700</i>	<i>9,093</i>	<i>393</i>	<i>378,500</i>	<i>439,477</i>	<i>60,977</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>8,700</i>	<i>9,093</i>	<i>393</i>	<i>378,500</i>	<i>439,477</i>	<i>60,977</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	250,000	250,000	-
Transfers (out)	(50,000)	(50,000)	-	-	-	-
<i>Total Other Financing Sources</i>	<i>(50,000)</i>	<i>(50,000)</i>	<i>-</i>	<i>250,000</i>	<i>250,000</i>	<i>-</i>
<i>Net Change in Fund Balances</i>	<i>(41,300)</i>	<i>(40,907)</i>	<i>393</i>	<i>628,500</i>	<i>689,477</i>	<i>60,977</i>
<i>Fund Balances Beginning of Year</i>	<i>46,324</i>	<i>46,324</i>	<i>-</i>	<i>1,228,595</i>	<i>1,228,595</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 5,024</i></b>	<b><i>\$ 5,417</i></b>	<b><i>\$ 393</i></b>	<b><i>\$ 1,857,095</i></b>	<b><i>\$ 1,918,072</i></b>	<b><i>\$ 60,977</i></b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

*Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual*

**Hotel/Motel and Solid Waste, Non-major Special Revenue Funds**  
For the Year Ended December 31, 2018

	Hotel/Motel Special Revenue Fund			Solid Waste Special Revenue Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ 580,000	\$ 646,975	\$ 66,975	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-
Charges for services	-	-	-	1,225,000	1,290,929	65,929
Investment interest	1,000	7,058	6,058	-	12,486	12,486
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>581,000</i>	<i>654,033</i>	<i>73,033</i>	<i>1,225,000</i>	<i>1,303,415</i>	<i>78,415</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	-	-	184,575	22,313	(162,262)
Economic environment	322,000	321,934	(66)	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>322,000</i>	<i>321,934</i>	<i>(66)</i>	<i>184,575</i>	<i>22,313</i>	<i>(162,262)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>259,000</i>	<i>332,099</i>	<i>73,099</i>	<i>1,040,425</i>	<i>1,281,102</i>	<i>240,677</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	-	-	-
Transfers (out)	(280,000)	(276,037)	3,963	(1,040,425)	(1,040,425)	-
<i>Total Other Financing Sources</i>	<i>(280,000)</i>	<i>(276,037)</i>	<i>3,963</i>	<i>(1,040,425)</i>	<i>(1,040,425)</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(21,000)</i>	<i>56,062</i>	<i>77,062</i>	<i>-</i>	<i>240,677</i>	<i>240,677</i>
<i>Fund Balances Beginning of Year</i>	<i>221,867</i>	<i>221,867</i>	<i>-</i>	<i>190,682</i>	<i>190,682</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 200,867</i></b>	<b><i>\$ 277,929</i></b>	<b><i>\$ 77,062</i></b>	<b><i>\$ 190,682</i></b>	<b><i>\$ 431,359</i></b>	<b><i>\$ 240,677</i></b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**PEG and CenterPlace Operating Reserve, Non-major Special Revenue Funds**

*For the Year Ended December 31, 2018*

	<b>PEG Special Revenue Fund</b>			<b>CenterPlace Operating Reserve Special Revenue Fund <sup>1</sup></b>		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	79,000	81,322	2,322	-	-	-
Intergovernmental revenues	-	-	-	-	-	-
Investment interest	-	971	971	-	-	-
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>79,000</i>	<i>82,293</i>	<i>3,293</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Expenditures</b>						
Current:						
General government	40,200	38,955	(1,245)	-	-	-
Transportation	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	31,000	13,344	(17,656)	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>71,200</i>	<i>52,299</i>	<i>(18,901)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>7,800</i>	<i>29,994</i>	<i>22,194</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Net Change in Fund Balances</i>	<i>7,800</i>	<i>29,994</i>	<i>22,194</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balances Beginning of Year</i>	<i>54,837</i>	<i>54,837</i>	<i>-</i>	<i>300,000</i>	<i>300,000</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 62,637</i></b>	<b><i>\$ 84,831</i></b>	<b><i>\$ 22,194</i></b>	<b><i>\$ 300,000</i></b>	<b><i>\$ 300,000</i></b>	<b><i>\$ -</i></b>

<sup>1</sup>) Fund Balances, CenterPlace Operating Reserve consolidated and collapsed into General Fund (GASB 54).

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**Service Level Stabilization and Winter Weather Reserve, Non-major Special Revenue Funds**

*For the Year Ended December 31, 2018*

	Service Level Stabilization Reserve Special Revenue Fund			Winter Weather Reserve Special Revenue Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-
Investment interest	-	-	-	3,500	5,353	1,853
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3,500</i>	<i>5,353</i>	<i>1,853</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Transportation	-	-	-	500,000	-	(500,000)
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>500,000</i>	<i>-</i>	<i>(500,000)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(496,500)</i>	<i>5,353</i>	<i>501,853</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	490,000	490,000	-
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>490,000</i>	<i>490,000</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(6,500)</i>	<i>495,353</i>	<i>501,853</i>
<i>Fund Balances Beginning of Year</i>	<i>5,500,000</i>	<i>5,500,000</i>	<i>-</i>	<i>7,717</i>	<i>7,717</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 5,500,000</i></b>	<b><i>\$ 5,500,000</i></b>	<b><i>\$ -</i></b>	<b><i>\$ 1,217</i></b>	<b><i>\$ 503,070</i></b>	<b><i>\$ 501,853</i></b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**LTGO Bonds Fund (LTGO'2016 & LTGO'14 Refunding Bonds, Non-Major Debt Service Fund**

*For the Year Ended December 31, 2018*

	<b>Debt Service</b>		
	<b>LTGO</b>		<b>Variance with</b>
	<b>Bonds Fund</b>		<b>Final Budget</b>
	<b>Final Budgeted</b>	<b>Actual</b>	<b>Over (Under)</b>
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	414,050	414,050	-
Investment interest	-	-	-
Miscellaneous revenues	-	-	-
<i>Total Revenues</i>	<b>414,050</b>	<b>414,050</b>	<b>-</b>
<b>Expenditures</b>			
Current:			
General government	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal retirement	977,400	520,000	(457,400)
Interest expense	-	457,400	457,400
Bonds issuance costs	-	-	-
Capital Outlay:			
Capital expenditures	-	-	-
Construction in progress	-	-	-
<i>Total Expenditures</i>	<b>977,400</b>	<b>977,400</b>	<b>-</b>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<b>(563,350)</b>	<b>(563,350)</b>	<b>-</b>
<b>Other Financing Sources</b>			
Transfers In	563,350	563,350	-
Transfers (out)	-	-	-
<i>Total Other Financing Sources</i>	<b>563,350</b>	<b>563,350</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	-	-	-
<i>Fund Balances Beginning of Year</i>	-	-	-
<b>Fund Balances End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**REET 1 and REET 2 Capital Projects, Non-Major Capital Projects Funds**

*For the Year Ended December 31, 2018*

	REET 1 Capital Projects Fund			REET 2 Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ 1,500,000	\$ 1,968,317	\$ 468,317	\$ 1,500,000	\$ 1,968,317	\$ 468,317
Intergovernmental revenues	-	-	-	-	-	-
Investment interest	7,500	47,045	39,545	8,000	61,879	53,879
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>1,507,500</i>	<i>2,015,362</i>	<i>507,862</i>	<i>1,508,000</i>	<i>2,030,196</i>	<i>522,196</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>1,507,500</i>	<i>2,015,362</i>	<i>507,862</i>	<i>1,508,000</i>	<i>2,030,196</i>	<i>522,196</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	-	-	-
Transfers (out)	(1,854,181)	(1,660,468)	193,713	(1,866,763)	(1,798,400)	68,363
<i>Total Other Financing Sources</i>	<i>(1,854,181)</i>	<i>(1,660,468)</i>	<i>193,713</i>	<i>(1,866,763)</i>	<i>(1,798,400)</i>	<i>68,363</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(346,681)</i>	<i>354,894</i>	<i>701,575</i>	<i>(358,763)</i>	<i>231,796</i>	<i>590,559</i>
<i>Fund Balances Beginning of Year</i>	<i>2,125,374</i>	<i>2,125,374</i>	<i>-</i>	<i>3,008,424</i>	<i>3,008,424</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 1,778,693</i></b>	<b><i>\$ 2,480,268</i></b>	<b><i>\$ 701,575</i></b>	<b><i>\$ 2,649,661</i></b>	<b><i>\$ 3,240,220</i></b>	<b><i>\$ 590,559</i></b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**Street Capital Projects, Major Capital Projects Fund & Parks Capital Projects, Non-Major Capital Projects Fund**

**For the Year Ended December 31, 2018**

	Street Capital Projects Fund			Parks Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	7,981,145	6,566,467	(1,414,678)	1,693,200	1,605,947	(87,253)
Charges for services	-	214	-	-	-	-
Investment interest	-	-	-	-	183	183
Miscellaneous revenues	33,032	29,144	(3,888)	-	-	-
<i>Total Revenues</i>	<i>8,014,177</i>	<i>6,595,825</i>	<i>(1,418,566)</i>	<i>1,693,200</i>	<i>1,606,130</i>	<i>(87,070)</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	164,256	(164,256)	-	-	-
Transportation	500,000	63,311	436,689	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	10,651,790	7,753,117	2,898,673	2,739,725	2,552,694	(187,031)
Construction in progress	-	-	-	-	63,210	63,210
<i>Total Expenditures</i>	<i>11,151,790</i>	<i>7,980,684</i>	<i>3,171,106</i>	<i>2,739,725</i>	<i>2,615,904</i>	<i>(123,821)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(3,137,613)</i>	<i>(1,384,859)</i>	<i>(4,589,672)</i>	<i>(1,046,525)</i>	<i>(1,009,774)</i>	<i>36,751</i>
<b>Other Financing Sources</b>						
Transfers In	3,137,613	1,385,072	(1,752,541)	458,215	922,866	464,651
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources</i>	<i>3,137,613</i>	<i>1,385,072</i>	<i>(1,752,541)</i>	<i>458,215</i>	<i>922,866</i>	<i>464,651</i>
<i>Net Change in Fund Balances</i>	<i>-</i>	<i>213</i>	<i>213</i>	<i>(588,310)</i>	<i>(86,908)</i>	<i>501,402</i>
<i>Fund Balances Beginning of Year</i>	<i>66,692</i>	<i>66,692</i>	<i>-</i>	<i>111,714</i>	<i>126,202</i>	<i>14,488</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 66,692</i></b>	<b><i>\$ 66,905</i></b>	<b><i>\$ 213</i></b>	<b><i>\$ (476,596)</i></b>	<b><i>\$ 39,294</i></b>	<b><i>\$ 515,890</i></b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

*Budget and Actual*

**Civic Buildings Capital Projects & Pavement Preservation Capital Projects, Non-Major Capital Projects Funds**

*For the Year Ended December 31, 2018*

	Civic Buildings Capital Projects Fund			Pavement Preservation Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	1,572,500	1,422,404	(150,096)
Charges for services	-	-	-	-	-	-
Investment interest	5,900	14,049	8,149	-	54,724	54,724
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>5,900</i>	<i>14,049</i>	<i>8,149</i>	<i>1,572,500</i>	<i>1,477,128</i>	<i>(95,372)</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	-	-	-	-	-
Transportation	-	-	-	50,000	43,611	(6,389)
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	4,410,540	3,479,727	(930,813)
Construction in progress	-	-	-	-	79,678	79,678
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4,460,540</i>	<i>3,603,016</i>	<i>(857,524)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>5,900</i>	<i>14,049</i>	<i>8,149</i>	<i>(2,888,040)</i>	<i>(2,125,888)</i>	<i>762,152</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	3,400,700	3,400,700	-
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3,400,700</i>	<i>3,400,700</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>5,900</i>	<i>14,049</i>	<i>8,149</i>	<i>512,660</i>	<i>1,274,812</i>	<i>762,152</i>
<i>Fund Balances Beginning of Year</i>	<i>843,688</i>	<i>843,688</i>	<i>-</i>	<i>3,362,503</i>	<i>3,362,503</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 849,588</i></b>	<b><i>\$ 857,737</i></b>	<b><i>\$ 8,149</i></b>	<b><i>\$ 3,875,163</i></b>	<b><i>\$ 4,637,315</i></b>	<b><i>\$ 762,152</i></b>

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

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

*Budget and Actual*

***City Hall Construction, Major Capital Project Fund & Railroad Grade Separation Capital Projects Fund***

*For the Year Ended December 31, 2018*

	City Hall Construction Fund			Railroad Grade Separation Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	770,000	571,136	(198,864)
Charges for services	-	-	-	-	-	-
Investment interest	-	1,416	1,416	-	16,574	16,574
Miscellaneous revenues	-	-	-	-	17	17
<i>Total Revenues</i>	<i>-</i>	<i>1,416</i>	<i>1,416</i>	<i>770,000</i>	<i>587,727</i>	<i>(182,273)</i>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	14,856	(14,856)	980,000	-	(980,000)
Construction in progress	-	-	-	-	611,911	611,911
<i>Total Expenditures</i>	<i>-</i>	<i>14,856</i>	<i>(14,856)</i>	<i>980,000</i>	<i>611,911</i>	<i>(368,089)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>-</i>	<i>(13,440)</i>	<i>(13,440)</i>	<i>(210,000)</i>	<i>(24,184)</i>	<i>185,816</i>
<b>Other Financing Sources</b>						
Transfers In	-	-	-	42,809	(8,147)	(50,956)
Transfers (out)	(74,960)	-	74,960	-	-	-
<i>Total Other Financing Sources</i>	<i>(74,960)</i>	<i>-</i>	<i>74,960</i>	<i>42,809</i>	<i>(8,147)</i>	<i>(50,956)</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(74,960)</i>	<i>(13,440)</i>	<i>61,520</i>	<i>(167,191)</i>	<i>(32,331)</i>	<i>134,860</i>
<i>Fund Balances Beginning of Year</i>	<i>101,076</i>	<i>101,076</i>	<i>-</i>	<i>1,068,803</i>	<i>1,068,803</i>	<i>-</i>
<b><i>Fund Balances End of Year</i></b>	<b><i>\$ 26,116</i></b>	<b><i>\$ 87,636</i></b>	<b><i>\$ 61,520</i></b>	<b><i>\$ 901,612</i></b>	<b><i>\$ 1,036,472</i></b>	<b><i>\$ 134,860</i></b>

***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

*This page is intentionally blank*



***City of Spokane Valley, Washington***  
***Comprehensive Annual Financial Report - Fiscal Year 2018***

---

***Internal Service Funds***

**Internal service funds:** are used to account for the financing of goods, services, and operations provided by one department or agency to other departments or agencies of the government and its other governmental units, on a cost reimbursement basis.

**Equipment Rental & Replacement Fund -----** The City of Spokane Valley's Equipment Rental & Replacement Fund (ER&R) accounts for the activities and costs of maintaining and replacing the City's vehicles and equipment for all City departments. The fund accumulates resources for vehicle and equipment replacements and purchases. Funds or Departments using the vehicle or equipment pay associated replacement fees.

Replacement funds have been set aside on the telephone system, computer network system, desktop computers, and vehicles. Maintenance and service charges for copiers, telephones, and internet are also charged to the fund. The ER&R Fund also finances and administers a fleet of pool cars for use by City Departments.

**Risk Management Fund -----** The City of Spokane Valley's Risk Management Fund has been established to account for insurance costs, claims settlement, and administration of a risk management safety program. This fund also accounts for the funding of unemployment claims through the State of Washington.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

*Combining Statement of Net Position-Internal Service Funds*

**Equipment Rental and Replacement & Risk Management Funds**

*For the Year Ended December 31, 2018*

<b>Governmental-type activities</b>			
	<b>Equipment Rental and Replacement Fund</b>	<b>Risk Management Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,288,756	\$ 1,376	\$ 1,290,132
Prepaid expenditures	-	349,527	349,527
Interest receivable	2,241	462	2,703
Total Current Assets	<b>1,290,997</b>	<b>351,365</b>	<b>1,642,362</b>
Capital Assets:			
Machinery and equipment	547,212	-	547,212
Less: accumulated depreciation	(144,400)	-	(144,400)
Total Capital Assets	402,812	-	402,812
<b>Total Assets</b>	<b>\$ 1,693,809</b>	<b>\$ 351,365</b>	<b>\$ 2,045,174</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 26	\$ 2,587	\$ 2,613
Due to other funds	-	85,000	85,000
Total Current Liabilities	26	87,587	87,613
<b>Total Liabilities</b>	<b>26</b>	<b>87,587</b>	<b>87,613</b>
<b>Net Position</b>			
Net Investments in Capital Assets	402,812	-	402,812
Unrestricted	1,290,971	263,778	1,554,749
<b>Total Net Position</b>	<b>1,693,783</b>	<b>263,778</b>	<b>1,957,561</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,693,809</b>	<b>\$ 351,365</b>	<b>\$ 2,045,174</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

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

**Equipment Rental and Replacement & Risk Management - Internal Service Funds**

*For the Year Ended December 31, 2018*

	<b>Governmental-type activities</b>		
	<b>Equipment Rental and Replacement Fund</b>	<b>Risk Management Fund</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for services (net of returns and allowances)	\$ 141,928	\$ -	\$ 141,928
Intergovernmental revenues	-	-	-
<b>Total Operating Revenues</b>	<b>141,928</b>	<b>-</b>	<b>141,928</b>
<b>Operating Expenses:</b>			
Personal services	3,714	6,849	10,563
Professional services	-	345,036	345,036
Material and supplies	-	733	733
Depreciation and amortization	47,155	-	47,155
<b>Total Operating Expenses</b>	<b>50,869</b>	<b>352,618</b>	<b>403,487</b>
<b>Operating Income (loss)</b>	<b>91,059</b>	<b>(352,618)</b>	<b>(261,559)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Investment income	19,874	2,135	22,009
<b>Total Non-Operating Revenues (Expenses)</b>	<b>19,874</b>	<b>2,135</b>	<b>22,009</b>
<b>Income (loss) before contributions and Transfers</b>			
	110,933	(350,483)	(239,550)
<b>Contributions and Transfers:</b>			
Transfers in	36,600	370,000	406,600
Transfers (out)	-	-	-
Total contributions and transfers	36,600	370,000	406,600
<b>Change in Net Position</b>	<b>147,533</b>	<b>19,517</b>	<b>167,050</b>
<b>Net Position-Beginning of Year</b>	<b>1,546,250</b>	<b>244,261</b>	<b>1,790,511</b>
<b>Net Position-End of Year</b>	<b>\$ 1,693,783</b>	<b>\$ 263,778</b>	<b>\$ 1,957,561</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

*Combining Statement of Cash Flows - Internal Service Funds*

**Equipment Rental and Replacement & Risk Management - Internal Service Funds**

*For the Year Ended December 31, 2018*

<b>Governmental - Type Activities</b>			
<b>Internal Service Funds</b>			
<b>Equipment Rental and Replacement Fund</b>	<b>Risk Management Fund</b>	<b>Totals</b>	
<b>Cash Flows from Operating Activities</b>			
Cash payments to employees	\$ (3,688)	\$ (6,849)	\$ (10,537)
Cash payments to suppliers for goods and services	-	(350,287)	(350,287)
Cash received from customers	-	(4,491)	(4,491)
Receipts from interfund activity	141,928	-	141,928
<i>Net cash provided (used) by operating activities</i>	<b>138,240</b>	<b>(361,627)</b>	<b>(223,387)</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating subsidies & transfers in (out) from other funds	36,600	180,998	217,598
<i>Net Cash (used) provided by noncapital related financing activities</i>	<b>36,600</b>	<b>180,998</b>	<b>217,598</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition, construction & (transfers) of capital assets to governmental funds	-	-	-
<i>Net Cash provided by capital related financing activities</i>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>			
Interest received	18,770	1,891	20,661
<i>Net Cash provided by investing activities</i>	<b>18,770</b>	<b>1,891</b>	<b>20,661</b>
Net Increase (decrease) in Cash and Cash Equivalents	193,610	(178,738)	14,872
Cash and Cash Equivalents - January 1, 2018	1,095,146	180,114	1,275,260
Cash and Cash Equivalents - December 31, 2018	<b>\$ 1,288,756</b>	<b>\$ 1,376</b>	<b>\$ 1,290,132</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ 91,059	\$ (352,618)	\$ (261,559)
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>			
Depreciation	47,155	-	47,155
(Increase) Decrease in Assets:			
Prepaid expenses	-	(4,491)	(4,491)
<i>Increase (Decrease) in Liabilities:</i>			
Increase in: Accounts payable to suppliers	-	(4,518)	(4,518)
<i>Increase (Decrease) in Liabilities:</i>			
Increase in: Salaries & Benefits payable	26	-	26
Total adjustments	<b>47,181</b>	<b>(9,009)</b>	<b>38,172</b>
<b>Net Cash Provided (used) by Operating Activities</b>	<b>\$ 138,240</b>	<b>\$ (361,627)</b>	<b>\$ (223,387)</b>

***City of Spokane Valley, Washington Comprehensive  
Annual Financial Report - Fiscal Year 2018***

---

***Statistical Section***



**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

---

## **STATISTICAL SECTION**

This part of the City of Spokane Valley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>CONTENTS</b>	<b>Page #</b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	111 - 115
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the government's most significant local revenue (inflow) source, property taxes.</i>	116 - 119
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	120 - 123
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	124 - 125
<b>Operating Information</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	126 - 128

**Sources:** Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

**City of Spokane Valley, Washington**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<b>Fiscal Year</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 63,074	\$ 64,370	\$ 68,426	\$ 74,478	\$ 75,837	\$ 75,907	\$ 85,200	\$ 90,360	\$ 101,125	\$ 108,679
Restricted	3,689	6,896	5,654	5,104	4,985	5,128	5,731	13,238	8,833	11,622
Unrestricted	44,587	44,497	44,807	43,650	45,746	48,827	45,051	42,494	49,325	57,326
<b>Total governmental activities</b>	<b>\$ 111,350</b>	<b>\$ 115,763</b>	<b>\$ 118,887</b>	<b>\$ 123,232</b>	<b>\$ 126,568</b>	<b>\$ 129,862</b>	<b>\$ 135,982</b>	<b>\$ 146,092</b>	<b>\$ 159,283</b>	<b>\$ 177,627</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 683	\$ 1,018	\$ 1,500	\$ 2,875	\$ 4,176	\$ 5,382	\$ 6,275	\$ 6,356	\$ 6,344	\$ 6,915
Restricted	-	4	4	-	-	-	-	-	-	2
Unrestricted	2,267	2,285	2,796	2,589	2,653	1,935	2,562	2,712	3,387	4,054
<b>Total business-type activities</b>	<b>\$ 2,950</b>	<b>\$ 3,307</b>	<b>\$ 4,300</b>	<b>\$ 5,464</b>	<b>\$ 6,829</b>	<b>\$ 7,317</b>	<b>\$ 8,837</b>	<b>\$ 9,068</b>	<b>\$ 9,731</b>	<b>\$ 10,971</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 63,757	\$ 65,388	\$ 69,926	\$ 77,353	\$ 80,013	\$ 81,289	\$ 91,475	\$ 96,716	\$ 107,469	\$ 115,594
Restricted	3,689	6,900	5,658	5,104	4,985	5,128	5,731	13,238	8,833	11,624
Unrestricted	46,854	46,782	47,603	46,239	48,399	50,762	47,613	45,206	52,712	61,380
<b>Total primary government</b>	<b>\$ 114,300</b>	<b>\$ 119,070</b>	<b>\$ 123,187</b>	<b>\$ 128,696</b>	<b>\$ 133,397</b>	<b>\$ 137,179</b>	<b>\$ 144,819</b>	<b>\$ 155,160</b>	<b>\$ 169,014</b>	<b>\$ 188,598</b>

*Note: Totals may not foot due to rounding.*

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

Expenses	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
General government	\$ 4,592	\$ 4,449	\$ 4,427	\$ 4,622	\$ 4,644	\$ 5,004	\$ 4,771	\$ 6,129	\$ 5,155	\$ 5,141
Public safety	20,616	21,186	22,614	21,722	22,486	22,190	22,144	23,173	21,583	24,879
Utilities & physical environment	2,333	3,083	3,187	2,939	3,028	2,462	4,942	3,368	4,500	2,295
Transportation	14,883	7,707	6,851	8,574	7,713	8,779	6,294	8,740	9,330	9,248
Economic environment	574	548	663	797	849	912	883	1,122	1,095	1,417
Community development	2,045	1,879	1,772	1,894	2,031	1,848	2,071	2,039	1,355	2,486
Culture and recreation	2,910	3,009	3,050	3,458	3,535	5,234	3,674	3,841	3,692	3,887
Interest on long-term debt	401	394	384	376	369	243	238	317	509	495
<b>Total governmental activities expenses</b>	<b>48,354</b>	<b>42,255</b>	<b>42,948</b>	<b>44,382</b>	<b>44,655</b>	<b>46,672</b>	<b>45,016</b>	<b>48,729</b>	<b>47,219</b>	<b>49,848</b>
<b>Business-type activities:</b>										
Aquifer protection area	-	-	-	-	306	982	126	154	171	177
Stormwater management	1,109	1,329	1,472	1,218	1,767	1,649	1,935	1,960	1,960	1,748
<b>Total business-type activities expenses</b>	<b>1,109</b>	<b>1,329</b>	<b>1,472</b>	<b>1,218</b>	<b>2,073</b>	<b>2,631</b>	<b>2,061</b>	<b>2,114</b>	<b>2,131</b>	<b>1,925</b>
<b>Total primary government expenses</b>	<b>\$ 49,463</b>	<b>\$ 43,584</b>	<b>\$ 44,420</b>	<b>\$ 45,600</b>	<b>\$ 46,728</b>	<b>\$ 49,303</b>	<b>\$ 47,076</b>	<b>\$ 50,843</b>	<b>\$ 49,350</b>	<b>\$ 51,773</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 2,358	\$ 2,731	\$ 2,572	\$ 2,946	\$ 3,008	\$ 3,432	\$ 2,659	\$ 3,126	\$ 3,064	\$ 2,491
Public safety	1,864	2,057	1,647	1,651	1,553	1,473	1,388	1,318	1,159	1,299
Utilities & physical environment	188	87	106	84	98	934	230	222	296	1,496
Transportation	411	160	78	47	15	10	25	211	369	170
Economic environment	-	-	-	-	-	-	-	-	-	-
Community development	1,541	1,230	1,064	1,254	1,615	1,561	1,480	2,632	2,220	2,533
Culture and recreation	581	581	525	598	536	599	657	682	705	646
Operating grants and contributions	611	799	1,196	1,260	787	707	495	1,254	701	2,891
Capital grants and contributions	15,668	4,528	3,611	5,038	3,678	3,257	9,487	6,895	6,820	6,842
<b>Total governmental activities program revenues</b>	<b>23,222</b>	<b>12,173</b>	<b>10,799</b>	<b>12,878</b>	<b>11,290</b>	<b>11,973</b>	<b>16,421</b>	<b>16,340</b>	<b>15,334</b>	<b>18,368</b>
<b>Business-type activities:</b>										
Charges for services:										
Aquifer protection area	-	-	-	-	1	-	-	-	-	-
Stormwater management	1,706	1,748	1,833	1,835	1,873	1,867	1,861	1,898	1,895	1,920
Operating grants and contributions	-	-	65	622	956	476	584	450	784	1,189
Capital grants and contributions	27	20	726	50	620	814	1,410	-	97	-
<b>Total business-type activities program revenues</b>	<b>1,733</b>	<b>1,768</b>	<b>2,624</b>	<b>2,507</b>	<b>3,450</b>	<b>3,157</b>	<b>3,855</b>	<b>2,348</b>	<b>2,776</b>	<b>3,109</b>
<b>Total primary government program revenues</b>	<b>\$ 24,955</b>	<b>\$ 13,941</b>	<b>\$ 13,423</b>	<b>\$ 15,385</b>	<b>\$ 14,740</b>	<b>\$ 15,130</b>	<b>\$ 20,276</b>	<b>\$ 18,688</b>	<b>\$ 18,110</b>	<b>\$ 21,477</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<b>Fiscal Year</b>									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense)/revenue										
Governmental activities	\$(25,132)	\$(30,083)	\$(32,149)	\$(31,503)	\$(33,365)	\$(34,698)	\$(28,595)	\$(32,389)	\$(31,886)	\$(31,480)
Business-type activities	624	439	1,152	1,289	1,377	525	1,794	235	645	1,185
<b>Total primary government net (expenses) /revenues</b>	<b>\$(24,508)</b>	<b>\$(29,644)</b>	<b>\$(30,997)</b>	<b>\$(30,214)</b>	<b>\$(31,988)</b>	<b>\$(34,173)</b>	<b>\$(26,800)</b>	<b>\$(32,154)</b>	<b>\$(31,241)</b>	<b>\$(30,295)</b>

**General Revenues and other Changes in Net Position**

*Governmental activities:*

Taxes:										
Property taxes	\$ 10,484	\$ 10,781	\$ 10,676	\$ 10,802	\$ 10,886	\$ 11,042	\$ 11,274	\$ 11,430	\$ 11,602	\$ 11,671
Sales and use taxes	16,317	16,014	16,976	17,522	18,721	19,779	20,728	22,583	23,941	25,803
Excise taxes	3,496	3,342	3,273	3,271	3,329	3,616	4,397	4,807	5,636	7,682
Other taxes	4,205	4,080	3,862	3,847	3,670	3,459	3,459	3,417	3,369	3,285
Gain sale of capital assets, proceeds	-	-	-	-	-	-	-	-	-	28
Donation of capital assets	-	-	-	-	-	-	-	-	-	239
Interest and investment earnings	274	189	116	115	82	57	99	248	515	1,103
Transfers	760	90	161	128	13	39	13	13	13	13
<b>Total governmental activities</b>	<b>35,536</b>	<b>34,496</b>	<b>35,064</b>	<b>35,685</b>	<b>36,701</b>	<b>37,992</b>	<b>39,970</b>	<b>42,498</b>	<b>45,076</b>	<b>49,824</b>

*Business-type activities:*

Interest and investment earnings	14	7	3	3	2	1	2	10	31	69
Transfers	(760)	(90)	(161)	(128)	(13)	(39)	(13)	(13)	(13)	(13)
<b>Total business-type activities</b>	<b>(746)</b>	<b>(83)</b>	<b>(158)</b>	<b>(125)</b>	<b>(11)</b>	<b>(38)</b>	<b>(11)</b>	<b>(3)</b>	<b>18</b>	<b>56</b>
<b>Total primary government</b>	<b>\$ 34,790</b>	<b>\$ 34,413</b>	<b>\$ 34,906</b>	<b>\$ 35,560</b>	<b>\$ 36,690</b>	<b>\$ 37,954</b>	<b>\$ 39,959</b>	<b>\$ 42,495</b>	<b>\$ 45,094</b>	<b>\$ 49,880</b>

**Change in Net Position**

Governmental activities	\$ 10,403	\$ 4,413	\$ 2,916	\$ 4,182	\$ 3,336	\$ 3,294	\$ 11,376	\$ 10,109	\$ 13,191	\$ 18,344
<i>Change in accounting principles, note 1</i>	-	-	207	163	-	-	(5,519)	-	-	-
Business-type activities	(121)	356	994	1,163	1,366	487	1,783	232	662	1,241
<b>Total primary government</b>	<b>\$ 10,282</b>	<b>\$ 4,769</b>	<b>\$ 4,117</b>	<b>\$ 5,508</b>	<b>\$ 4,702</b>	<b>\$ 3,781</b>	<b>\$ 7,640</b>	<b>\$ 10,341</b>	<b>\$ 13,853</b>	<b>\$ 19,585</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

	2009 (Restated) <sup>1</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General fund</b>										
Reserved	\$ -									
Unreserved	-									
<b>Total general fund</b>	<b>\$ -</b>									
Nonspendable	\$ -	\$ 6	\$ 12	\$ 24	\$ 56	\$ 98	\$ 131	\$ 82	\$ 90	\$ 157
Restricted	10	204	123	180	204	255	24	80	38	44
Assigned	30	50	50	-	-	-	-	-	-	-
Unassigned	24,587	32,976	33,727	34,389	29,071	29,974	31,652	34,695	39,336	42,417
<b>Total general fund</b>	<b>\$ 24,627</b>	<b>\$ 33,236</b>	<b>\$ 33,912</b>	<b>\$ 34,593</b>	<b>\$ 29,331</b>	<b>\$ 30,327</b>	<b>\$ 31,807</b>	<b>\$ 34,857</b>	<b>\$ 39,464</b>	<b>\$ 42,618</b>
<b>All other governmental funds</b>										
Reserved	\$ -									
Unreserved, reported in:										
Special revenue funds	-									
Capital projects funds	-									
<b>Total all other governmental funds</b>	<b>\$ -</b>									
Nonspendable	\$ 4	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ 19	\$ 5	\$ 11	\$ 1
Restricted	7,074	6,682	5,519	4,900	4,725	4,774	5,557	13,070	8,349	11,071
Committed	500	501	502	503	503	504	444	237	4	500
Assigned	7,595	7,769	7,369	4,765	11,785	14,056	13,854	8,381	9,583	13,854
Unassigned	5,407	-	-	-	-	-	-	-	-	-
<b>Total all other</b>	<b>\$ 20,580</b>	<b>\$ 14,957</b>	<b>\$ 13,390</b>	<b>\$ 10,168</b>	<b>\$ 17,013</b>	<b>\$ 19,334</b>	<b>\$ 19,874</b>	<b>\$ 21,693</b>	<b>\$ 17,947</b>	<b>\$ 25,426</b>
<b>Total fund balances</b>	<b>\$ 45,207</b>	<b>\$ 48,193</b>	<b>\$ 47,302</b>	<b>\$ 44,761</b>	<b>\$ 46,344</b>	<b>\$ 49,661</b>	<b>\$ 51,681</b>	<b>\$ 56,550</b>	<b>\$ 57,411</b>	<b>\$ 68,044</b>

<sup>1</sup>) Fiscal year 2009 Fund balances restated for GASB-54 conversion and implementation.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**

	<b>Fiscal Year</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenues</b>										
Taxes	\$ 32,093	\$ 31,840	\$ 32,352	\$ 33,279	\$ 34,487	\$ 35,929	\$ 37,434	\$ 39,643	\$ 41,845	\$ 44,566
Licenses and permits	2,121	2,100	1,939	2,099	2,427	2,372	2,342	3,195	3,048	4,010
Intergovernmental	19,365	9,000	8,655	8,760	7,949	8,098	13,468	11,597	10,536	15,316
Charges for services	863	671	685	868	996	1,029	1,450	1,814	1,607	2,044
Fines and forfeitures	778	750	588	564	543	544	530	478	427	468
Investment interest	269	189	114	114	81	56	98	243	504	1,081
Miscellaneous	1,927	1,944	1,432	1,931	1,055	1,933	1,090	1,019	863	719
Total revenues	57,416	46,494	45,765	47,615	47,538	49,961	56,412	57,989	58,830	68,204
<b>Expenditures</b>										
Current:										
General government	4,215	4,047	3,993	4,203	4,232	4,508	4,539	5,134	4,891	4,828
Public safety	20,558	21,130	22,554	21,664	22,429	22,132	22,045	23,107	21,465	24,762
Utilities & physical environment	2,071	2,441	2,300	1,984	1,923	2,080	2,083	2,259	3,476	1,230
Transportation	3,989	3,199	3,923	5,349	4,172	4,453	4,144	4,524	4,704	4,288
Economic environment	523	506	634	759	815	902	825	1,095	1,125	1,392
Community development	2,045	1,879	1,772	1,894	2,031	1,848	2,071	2,039	1,355	2,486
Culture and recreation	2,293	2,323	2,301	2,536	2,599	2,582	2,788	2,851	2,743	2,806
Debt Service:										
Principal retirement	205	211	225	241	254	360	300	390	470	520
Interest expense	401	395	385	377	369	243	238	357	471	458
Refunding Bond issue costs	-	-	-	-	-	107	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	97	-	-
Capital Outlay:										
Capital expenditures	1,543	435	2,347	2,993	279	370	2,572	7,413	7,260	13,514
Construction in progress	20,485	6,714	6,246	8,128	6,547	6,832	12,476	11,489	9,712	1,299
Total expenditures	58,328	43,280	46,680	50,128	45,650	46,417	54,081	60,755	57,672	57,583
<i>Excess of revenues over (under) expenditures</i>	(912)	3,214	(915)	(2,513)	1,888	3,543	2,331	(2,766)	1,158	10,621
<b>Other financing sources (uses)</b>										
Proceeds on sale of land	-	-	-	-	-	-	-	-	-	405
Bonds issued, par value	-	-	-	-	-	-	-	7,275	-	-
Refunding bonds issued	-	-	-	-	-	7,035	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	671	-	-
Premium on refunding bonds issued	-	-	-	-	-	626	-	-	-	-
Pymts refunded bonds escrow agent	-	-	-	-	-	(7,549)	-	-	-	-
Transfers in	7,673	4,293	5,127	5,314	10,251	7,388	11,917	8,364	11,840	12,749
Transfers out	(7,143)	(4,521)	(5,310)	(5,505)	(10,556)	(7,726)	(12,229)	(8,675)	(12,137)	(13,142)
Total other financing sources (uses)	530	(228)	(183)	(191)	(305)	(226)	(312)	7,635	(297)	12
<b>Net change in fund balances</b>	<b>\$ (382)</b>	<b>\$ 2,986</b>	<b>\$ (1,098)</b>	<b>\$ (2,704)</b>	<b>\$ 1,583</b>	<b>\$ 3,317</b>	<b>\$ 2,019</b>	<b>\$ 4,869</b>	<b>\$ 861</b>	<b>\$ 10,633</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>1.70%</b>	<b>1.71%</b>	<b>1.63%</b>	<b>1.61%</b>	<b>1.63%</b>	<b>1.84%</b>	<b>1.40%</b>	<b>2.06%</b>	<b>2.37%</b>	<b>2.34%</b>

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Assessed Value and Estimated Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	State Assessed Property	Less:		Total Taxable Assessed Value	Total Direct Tax Rate <sup>2</sup>	Estimated Taxable Value	Actual Taxable Value
				Tax Exempt Real Property	Tax Real Property				
2009	7,243,459,327	350,340,740	131,455,778	705,747,518	7,019,508,327	1,500	46,800,090,425		15.0%
2010	7,406,805,210	380,407,036	136,107,872	753,827,516	7,169,492,602	1,510	47,476,689,157		15.1%
2011	7,363,382,369	390,295,527	155,027,290	767,757,542	7,140,947,644	1,503	47,511,213,891		15.0%
2012	7,301,216,827	385,519,496	168,518,669	767,731,597	7,087,523,395	1,526	46,431,559,220		15.3%
2013	7,098,461,705	395,557,119	164,764,545	736,958,074	6,921,825,295	1,578	43,875,667,438		15.8%
2014	7,361,808,225	418,907,730	188,057,827	799,782,754	7,168,991,028	1,545	46,398,233,305		15.5%
2015	7,599,597,739	440,541,679	182,240,486	828,408,322	7,393,971,582	1,526	48,469,168,024		15.3%
2016	7,913,329,396	465,687,715	207,777,187	838,519,201	7,748,275,097	1,483	52,254,350,533		14.8%
2017	8,308,078,597	477,211,542	209,217,972	870,020,448	8,124,487,663	1,434	56,675,881,849		14.3%
2018	8,859,707,714	477,302,196	223,823,667	926,718,779	8,634,114,798	1,367	63,151,805,135		13.7%

<sup>1</sup> Taxable Assessed value as a percentage of estimated actual taxable value does not include tax-exempt real property.

<sup>2</sup> Total direct tax rate is per \$1,000 of assessed value.

Note: It is the policy of the Spokane County's Assessor's Office to value property at 100% of market value. As a result, assessed and actual values are the same.  
 (Source: Spokane County Assessor's Office)

# **City of Spokane Valley, Washington**

## **Comprehensive Annual Financial Report - Fiscal Year 2018**

---



---

### **City of Spokane Valley, Washington**

#### **Direct and Overlapping Property Tax Rates Governments**

##### **Last Ten Fiscal Years**

*(rate per \$1,000 of assessed value)*

<b>City of Spokane Valley Rates</b>			<b>Overlapping Rates <sup>1</sup></b>					
<b>Fiscal Year</b>	<b>Basic Rate</b>	<b>Total Direct</b>	<b>Fire Districts</b>	<b>Spokane County</b>	<b>State School Districts (4)</b>	<b>School Districts (4)</b>	<b>County Library</b>	<b>Other/ Special</b>
2009	1.500	1.500	3.569	2.450	1.898	16.993	0.443	1.382
2010	1.510	1.510	3.613	2.470	2.002	18.281	0.447	1.602
2011	1.503	1.503	3.621	2.572	2.241	20.317	0.500	1.657
2012	1.526	1.526	3.625	2.660	2.345	21.627	0.500	1.708
2013	1.578	1.578	3.632	3.032	2.445	22.416	0.500	1.747
2014	1.545	1.545	3.631	3.042	2.373	22.392	0.500	1.691
2015	1.526	1.526	3.625	3.186	2.264	22.617	0.500	1.636
2016	1.483	1.483	3.554	3.115	2.100	22.137	0.491	1.701
2017	1.434	1.434	3.489	3.090	2.000	22.325	0.476	1.675
2018	1.367	1.367	3.274	2.100	2.795	21.113	0.454	1.371

<sup>1</sup> Overlapping rates are those of local and county governments that apply to property owners with the City of Spokane Valley.

Not all overlapping rates apply to all Spokane Valley property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

<sup>2</sup> Four separate School Districts operate within the City's boundary.

(Source: Spokane County Assessor's Office)

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Principal Property Taxpayers<sup>1</sup>**  
**Current Year and Ten Years Ago**  
**December 31, 2018**

Taxpayer	Business Type	2018		2009		Percentage of Total City Taxable Assessed Value	
		Total Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Rank	Total Taxable Assessed Value	Rank
Kaiser Aluminum, Inc.	Aluminum Manufacturer	\$ 343,595,836	1	3.98%	\$ 90,001,143	1	1.28%
Avista Corporation	Electric & Gas Utility	98,627,486	2	1.14%	43,112,667	4	0.61%
Spokane Valley Mall	Retail Malls	72,413,711	3	0.84%	60,216,518	3	0.86%
Park SPE, LLC	Real Estate Developer	71,022,430	4	0.82%	62,308,740	2	0.89%
Enjoy The River, LLC	Real Estate LLC	46,422,090	5	0.54%	DND	-	DND
Cellico Partnership dba Verizon Wireless	Telephone Utility	36,224,230	6	0.42%	36,443,901	5	0.52%
Wal-Mart Stores Inc.	Retail	36,223,624	7	0.42%	DND	-	DND
Indian Pointe LLC	Real Estate LLC	34,814,000	8	0.40%	DND	-	DND
Wagstaff Inc.	Engineering & Manufacturing	34,036,610	9	0.39%	DND	-	DND
Providence Health & Services	Health Care	30,112,745	10	0.35%	DND	-	DND
Spokane Valley Hospital & Medical Center	Health Care	-	-	-	31,421,120	6	0.45%
Lowe's HW Inc.	Retail	-	-	-	23,119,726	7	0.33%
CPM Development Corp	Concrete & Asphalt	-	-	-	23,012,886	8	0.33%
Qwest Corporation	Telephone Utility	-	-	-	21,656,649	9	0.31%
Douglass, Harlan D.	Real Estate LLC	-	-	-	18,894,580	10	0.27%
<b>Total:</b>		<b>\$ 803,492,762</b>		<b>9.31%</b>	<b>\$ 410,187,930</b>		<b>5.84%</b>
Spokane Valley FY2018 Levy Rate: 1.36771814976023							
<b>Total Assessed Value City of Spokane Valley</b>		<b>\$ 8,634,114,798</b>		<b>9.31%</b>	<b>\$ 7,019,508,327</b>		<b>5.84%</b>
<b>Total Assessed Value City of Spokane Valley all other Taxpayers</b>		<b>\$ 7,830,622,036</b>		<b>90.69%</b>	<b>\$ 6,609,320,397</b>		<b>94.16%</b>

<sup>1</sup> Source: Spokane County Assessor's and Treasurer's Department.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

**City of Spokane Valley, Washington**  
**Property Tax Levy and Collections <sup>1</sup>**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended 31-Dec</b>	<b>Taxes Levied for the Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Tax Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2009	10,538,125	10,317,305	97.90%	80,646	10,397,951	98.67%
2010	10,836,664	10,596,232	97.78%	98,579	10,694,811	98.69%
2011	10,736,817	10,511,675	97.90%	82,060	10,593,735	98.67%
2012	10,824,167	10,606,471	97.99%	76,517	10,682,988	98.70%
2013	10,927,218	10,674,154	97.68%	102,956	10,777,110	98.63%
2014	11,079,836	10,889,763	98.28%	83,306	10,973,069	99.04%
2015	11,284,152	11,097,997	98.35%	85,010	11,183,007	99.10%
2016	11,470,220	11,274,184	98.29%	97,836	11,372,020	99.14%
2017	11,651,785	11,473,477	98.47%	99,881	11,573,358	99.33%
2018	11,810,107	11,626,514 *	98.45%	101,935	11,728,449	99.31%

**Note:**

1) Source: Spokane County Assessor's Department, monthly Property Tax Statements (EOY statement).

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Govermental Activities</b>		<b>Percentage of Personal Income</b>	<b>Total Primary Government Bonded Debt Per Capita</b>	<b>Spokane County MSA Est. Per Capita Income<sup>1</sup></b>	<b>Personal Income</b>
	<b>LTGO'14 Refunding Bonds and LTGO'16 Bonds</b>	<b>Total Primary Government</b>				
<b>2009</b>	8,365,000	8,365,000	0.27%	94	35,186	3,147,035,840
<b>2010</b>	8,155,000	8,155,000	0.26%	90	35,220	3,177,196,200
<b>2011</b>	7,930,000	7,930,000	0.24%	88	36,536	3,292,258,960
<b>2012</b>	7,690,000	7,690,000	0.23%	85	37,653	3,409,479,150
<b>2013</b>	7,435,000	7,435,000	0.21%	81	38,805	3,550,269,450
<b>2014</b>	6,675,000	6,675,000	0.19%	73	39,067	3,596,117,350
<b>2015</b>	6,375,000	6,375,000	0.17%	68	40,819 <sup>1</sup>	3,810,045,460
<b>2016</b>	13,260,000	13,260,000	0.34%	141	42,028 <sup>1</sup>	3,957,356,480
<b>2017</b>	12,790,000	12,790,000	0.31%	135	43,962 <sup>2</sup>	4,171,554,180
<b>2018</b>	12,270,000	12,270,000	0.28%	128	45,021 <sup>3</sup>	4,313,462,010

1) Spokane County Metropolitan Statistical Area (MSA) source: Community Indicators Initiative of Spokane & U.S. Department of Commerce (BEA). Fiscal year 2016 estimated, 2.962% increase in change per capita income compared to fiscal year 2015.

2) Fiscal year 2017, 4.60% increase in change per capita income compared to FY 2016, based on Spokane County MSA.

3) Fiscal year 2018, 4.42% increase in change per capita income compared to FY 2017, based on Spokane County MSA.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

**City of Spokane Valley, Washington**  
**Ratios of General Bonded Debt Outstanding**  
**To Assessed Value and Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	Population <sup>1</sup>	Total Taxable Assessed Value <sup>2</sup>	Gross Bonded Debt <sup>3</sup>	Net Direct Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Direct Bonded Debt Per Capita
<b>2009</b>	89,440	7,019,508,327	8,511,081	8,365,000	0.119%	94
<b>2010</b>	90,210	7,169,492,602	8,293,765	8,155,000	0.114%	90
<b>2011</b>	90,110	7,140,947,644	8,061,449	7,930,000	0.111%	88
<b>2012</b>	90,550	7,087,523,395	7,814,134	7,690,000	0.109%	85
<b>2013</b>	91,490	6,921,825,295	7,551,818	7,435,000	0.107%	81
<b>2014</b>	92,050	7,168,991,028	7,305,556	6,675,000	0.093%	73
<b>2015</b>	93,340	7,393,971,582	6,966,450	6,375,000	0.086%	68
<b>2016</b>	94,160	7,748,275,097	14,499,741	13,260,000	0.171%	141
<b>2017</b>	94,890	8,124,487,663	13,966,932	12,790,000	0.157%	135
<b>2018</b>	95,810	8,634,114,798	13,384,123	12,270,000	0.142%	128

1) Community Indicators Initiative of Spokane, Journal of Business.

2) Source: Spokane County Assessor's Office, Spokane County.

3) Includes Premium and discount on both LTGO Bonds (Refunding LTGO'14 & LTGO'16 City Hall Bonds).

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

**City of Spokane Valley, Washington**  
**Direct and Overlapping Governmental Activities Debt <sup>1</sup>**  
**As of December 31, 2018**

Number of Issues	Governmental Unit	Net Debt Outstanding	Earliest (Month/Year)	Oldest (Month/Year)	Applicable to	
			Issue Date (Month/Year)	Maturity Date (Month/Year)	City of Spokane Valley Percentage	Amount
<b>Direct Debt</b>						
3	City of Spokane Valley	\$ 12,270,000	12/2016	12/2045	100.00%	\$ 12,270,000
<b>Total Direct Debt:</b>						
		12,270,000			100.00%	12,270,000
<b>Overlapping Debt</b>						
1	Fire District #1	790,352	3/2017	3/2022	71.47%	564,861
1	Fire District #8	545,000	10/2010	12/2020	7.09%	38,626
15	Spokane School District #81	469,765,000	11/2010	12/2035	3.73%	17,520,401
6	Central Valley School District #356	244,035,000	5/2012	12/2037	62.32%	152,082,361
3	East Valley School District #361	9,645,126	9/2006	6/2027	66.82%	6,444,758
11	West Valley School District #363	13,075,067	6/2011	12/2028	61.83%	8,084,107
<b>Total Overlapping Debt:</b>						
		737,855,545			25.04%	184,735,114
<b>Total Direct and Overlapping Debt:</b>						
		<b>\$750,125,545</b>			<b>26.26%</b>	<b>\$197,005,114</b>

1) Source: 2018 Spokane County Assessor's & Auditor's Office.

2) Source: 2018 Spokane County Auditor's Office, County wide Districts Overlapping Debt Schedules.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

**City of Spokane Valley, Washington**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

<b>Legal Debt Margin Calculation For Fiscal Year 2018</b>									
<b>Assessed Valuations:</b> <sup>1</sup>									
<b>Assessed Value</b>									
<b>Total Assessed Value</b>									
<b>Legal Debt Margin</b> <sup>2</sup>									
<b>Debt Limitation: (2.5% of total assessed market value)</b>									
(Less:) Debt applicable to limitation:									
<b>Legal Debt Margin</b>									
<b>Fiscal Year</b>									
<b>2009</b>									
Debt Limit	\$ 175,487,708	\$ 179,237,315	\$ 178,523,691	\$ 177,188,085	\$ 173,045,632	\$ 179,224,776	\$ 184,849,290	\$ 193,706,877	\$ 203,112,192
Total net debt applicable to limit	8,657,964	8,410,690	8,201,386	8,001,362	7,784,865	7,077,106	6,813,763	13,752,246	13,295,225
Legal debt margin	<b>\$ 166,829,744</b>	<b>\$ 170,826,625</b>	<b>\$ 170,322,305</b>	<b>\$ 169,186,723</b>	<b>\$ 165,260,767</b>	<b>\$ 172,147,670</b>	<b>\$ 178,035,527</b>	<b>\$ 179,954,631</b>	<b>\$ 189,816,967</b>
Total net debt applicable to the limit as a % of debt limit	<b>4.93%</b>	<b>4.69%</b>	<b>4.59%</b>	<b>4.52%</b>	<b>4.50%</b>	<b>3.95%</b>	<b>3.69%</b>	<b>7.10%</b>	<b>6.55%</b>
									<b>5.95%</b>

- 1) Source: Spokane County Assessor's Office.
- 2) See Note #9, Legal Debt Margin General Purposes voted and non-voted Debt @ 2.5%.
- 3) See Note #9, Legal Debt Margin Utility voted Debt @ 2.5%.
- 4) See Note #9, Legal Debt Margin Open Space and Park Facilities voted Debt @ 2.5%.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Spokane County MSA Per Capita Income<sup>1</sup></b>	<b>Median Age</b>	<b>Taxable Retail Sales<sup>2</sup></b>	<b>School Enrollment<sup>3</sup></b>	<b>City of Spokane Valley Unemployment Rate<sup>4</sup></b>
<b>2009</b>	89,440	3,087,558,240	34,521	36.6	1,613,410,134	21,150	9.8%
<b>2010</b>	90,210	3,149,321,310	34,911	37.3	1,585,010,451	21,537	10.5%
<b>2011</b>	90,110	3,277,120,480	36,368	38.1	1,678,063,524	21,573	9.9%
<b>2012</b>	90,550	3,394,538,400	37,488	37.9	1,745,839,808	21,758	9.4%
<b>2013</b>	91,490	3,433,253,740	37,526	39.8	1,884,116,155	21,946	<sup>4</sup> 8.4%
<b>2014</b>	92,050	3,596,117,350	39,067	37.5	1,970,385,634	22,132	<sup>4</sup> 7.2%
<b>2015</b>	93,340	3,763,655,480	40,322	37.1	2,058,714,546	22,127	<sup>4</sup> 6.8%
<b>2016</b>	94,160	3,957,356,480	42,028	37.7	2,270,098,692	21,349	<sup>4</sup> 6.3%
<b>2017</b>	94,890	4,171,554,180	43,962 <sup>1</sup>	39.5	2,387,525,105	22,046	<sup>4</sup> 5.5%
<b>2018</b>	95,810	4,313,462,010	45,021 <sup>1</sup>	39.8	2,568,386,688	23,251	<sup>4</sup> 5.4%

1. Spokane County metropolitan statistical area (MSA) annual per capita personal Income source, CII of Spokane ([www.spokanetrends.org](http://www.spokanetrends.org)). Fiscal year 2018 estimated with a 4.42% increase in change per capita income from fiscal year 2017; compared to 2017 reported results of 4.60% increase from 2016.

2. Department of Revenue Washington, State Taxable Retail Sales Statistical Reports look-up (annual City/County Retail Sales report City location #3213).

3. Source: Market Fact Book, Journal of Business (Central Valley, East Valley, and West Valley school Districts including Private School enrollment).

4. U.S. Department of Labor, Bureau of Labor Statistics, Spokane-City of Spokane Valley, WA Metropolitan statistical area (MSA) annual averages.

[www.bls.gov/eag/eag.wa-spokane-msa](http://www.bls.gov/eag/eag.wa-spokane-msa)

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

---

**City of Spokane Valley, Washington**  
**Principal Employers**  
**Current Year and Ten Years Ago**

Employer	2018			2009		
	FTE Employees	1	Percentage of Total City Employment	FTE Employees	Rank	Percentage of Total City Employment
Central Valley School District	1,614	1	1.68%	1,250	1	1.40%
Wal-Mart Stores	1,431	2	1.49%	DND	#	-
Kaiser Aluminum	950	3	0.99%	800	4	0.89%
Yokes Foods, Inc.	760	4	0.79%	508	7	0.57%
Alorica Business Solutions	660	5	0.69%	DND	#	-
East Valley School District	555	6	0.58%	575	6	0.64%
West Valley School District	528	7	0.55%	DND	#	-
CPM Development Corporation	448	8	0.47%	750	5	0.84%
Numerica Credit Union	410	9	0.43%	DND	#	-
Wagstaff Inc.	386	10	0.40%	276	10	0.31%
MultiCare Valley Hospital	-	-	-	442	8	0.49%
Avista Energy	-	-	-	950	2	1.06%
BNSF Railway Company	-	-	-	900	3	1.01%
General Dynamics Itronics	-	-	-	381	9	0.43%
<b>Total</b>	<b>7,742</b>		<b>8.08%</b>	<b>6,832</b>		<b>7.64%</b>

1) Source for Data: Journal of Business Book of Lists January 3, 2019, Volume 34, issue 1. FTE employees as of Nov. 1, 2018.

2) DND: did not disclose.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Full-time Equivalent (FTE) Employees by Function and Program**  
**Last Ten Fiscal Years**

<b>Function/Department/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>General government</b>										
<b>Executive &amp; legislative</b>										
City manager/ City Clerk	5	5	5	5	5	5	5	5	5	7
Legal <sup>1</sup>	3	3	3	3	3	3	3	3	3	3.5
Interns <sup>4</sup>	4.5	4.5	2	2	3	3	-	-	-	-
<b>Operations &amp; administrative services</b>										
Deputy city manager	8	8	6	7	6	6	6	6	6	3
Finance	10	12	11	11	10.75	11.75	11.75	11.75	11.75	11.75
Legal <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Human resources	2	2	2	2	2	2	2	2	2	2
Interns <sup>4</sup>	1	1	2	2	1	1	-	-	-	-
<b>Public safety <sup>2</sup></b>										
Public works	7.5	7.5	7.5	7	7	7.375	7.375	7.375	6.375	-
City Hall Operations & Maintenance	-	-	-	-	-	-	-	-	1	1
<b>Transportation</b>										
Street fund & Street capital project fund <sup>2</sup>	8.5	8.5	8	8.5	8.5	8.875	9.225	9.225	9.225	10.225
Interns <sup>4</sup>	-	-	1	1	1	1	-	-	-	-
<b>CED &amp; CPW-2018</b>										
CED Administration	3	3	3	3	2	2	2	2	1	-
CED Building	14.75	14.75	12.75	12.75	11.5	12.5	14	14	15	-
CED & CPW Economic Development	-	-	-	-	-	-	2.5	2.65	4	6.375
CED Development Services	-	-	-	-	-	-	11	11	10	-
CED & CPW-2018 Building & Planning	9	9	8.5	8.5	8	8	-	-	-	19
CED & CPW-2018 Engineering	8	8	6	6	8	7	-	-	-	12
<b>Culture and recreation <sup>3</sup></b>										
Parks administration	2	2	2	2	2	2	2	2	2	2
Recreation	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
CenterPlace	7	7	5	5	5	5	5	5	5	5
Interns <sup>4</sup>	1	1	1	1	1	1	-	-	-	-
<b>StormWater management fund</b>										
Interns <sup>4</sup>	2	2	2	1	1	1	-	-	-	-
<b>Total (FTEs)</b>	<b>93.75</b>	<b>95.75</b>	<b>86.25</b>	<b>87.25</b>	<b>85.25</b>	<b>87.25</b>	<b>87.25</b>	<b>87.40</b>	<b>87.75</b>	<b>89.25</b>

**Notes:**

<sup>1</sup> Legal program re-assigned to executive and legislative program in 2008.

<sup>2</sup> The city contracts with Spokane County for law enforcement services and fire protection is provided by Fire Districts 1 & 8.

Winter Weather Services and snow removal was provided under contract through Spokane County in prior fiscal years 2003 thru 2009.

<sup>3</sup> Library service provided by the Spokane County Library District.

<sup>4</sup> Interns to various department programs "NOT" included in total for FTE's.

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public safety <sup>1</sup></b>										
Total number of crime offenses <sup>2</sup>	4,067	5,183	6,237	5,390	5,691	5,691	5,014	5,561	5,927	5,414
Number of Violent Crimes per 1,000 <sup>3</sup>	3.0	1.8	1.9	2.1	2.2	2.2	3.2	2.5	2.9	2.1
Property crimes per 1,000 <sup>3</sup>	36.7	46.9	55.7	53.1	51.5	53.1	57.0	51.2	53.8	46.5
Commissioned officers per 1,000 <sup>3</sup>	1.12	1.15	1.08	1.09	1.09	1.1	1.1	1.1	1.1	1.1
Full time commissioned officers <sup>3</sup>	101	104	97	99	99	97	102	102	101	103
<b>Building and permits <sup>6</sup></b>										
Residential dwelling permits	656	599	603	1,331	1,415	1,438 <sup>9</sup>	1,722	1,892	1,288	1,009
Non-residential building permits <sup>3</sup>	167	160	155	31	91	233 <sup>9</sup>	545	593	430	475
Mechanical permits	1,288	1,096	953	-	-	- <sup>9</sup>	-	-	-	-
Plumbing permits	523	571	586	-	-	- <sup>9</sup>	-	-	-	-
Mechanical/Plumbing commercial permits	-	-	-	-	315	357 <sup>9</sup>	305	341	421	372
Mechanical/Plumbing residential permits	-	-	-	-	1,160	1,437 <sup>9</sup>	1,404	1,523	2,393	1,902
Demolition permits	44	35	32	39	55	65 <sup>9</sup>	47	40	58	49
Grading permits	16	17	29	38	43	50 <sup>9</sup>	62	55	75	95
Miscellaneous bench permits & sign fees	5	7	8	13	16	122 <sup>9</sup>	124	124	92	107
<b>Transportation</b>										
Highways & streets (surface in miles) <sup>4</sup>	438	438	438	438	438	461	461	461	461	461
Lane miles maintained (per 1k population)	-	-	5.12	5.12	5.12	5.12	4.94	4.94	4.94	4.71
Street sweeping (in cubic yards removed)	-	-	-	-	804	874	1,370	1,450	1,310	930
Potholes repaired & patched	436	540	748	1,550	2,133	607	482	606	2,012	504
Street right-a-way inspections performed	-	-	-	-	5,513	7,322	9,459	10,901	13,980	13,657
Street right-a-way permits issued	296	261	390	467	652	712	724	768	996	1,090
Local Gov't road maintenance per capita \$1	\$48	\$43	\$11	\$41	\$45	\$47	\$43	\$48	\$53	\$59
Highways & streets (surface in miles) <sup>10</sup>	109,000	107,000	108,000	108,000	108,000	114,000	118,000	107,000	121,000	124,000
Avg daily traffic counts I-90 at Pines	75,000	70,000	70,000	70,000	70,000	75,000	81,000	70,000	83,000	83,000
Avg daily traffic counts I-90 at Sullivan	67,000	66,000	63,000	63,000	63,000	70,000	75,000	66,000	79,000	89,000
<b>Parks and recreation</b>										
Participants; recreation programs	N.A. <sup>8</sup>	N.A. <sup>8</sup>	N.A. <sup>8</sup>	N.A. <sup>8</sup>	N.A. <sup>8</sup>					
Parks reservations (Fields, shelters, parks)	258	252	394	407	399	428	425	431	511	537
Total participants in aquatic programs <sup>7</sup>	33,688	35,910	36,484	35,978	33,681	29,820	30,612	31,453	34,964	28,935
CenterPlace reservations (by # of events) <sup>7</sup>	815	823	816	915	812	1,083	919	923	1,041	1,047
Centennial trail (measured in miles)	7	7	7	7	7	7	7	7	7	7
Appleway trail (measured in miles)	-	-	-	-	-	-	-	1	1	2.33
<b>Stormwater <sup>5</sup></b>										
Storm ditches (measured in miles)	11	11	11	11	11	11	11	11	11	12
Ponds	35	38	38	39	39	41	41	106	60	64
Swales (measured in miles)	10	10	10	11	11	12	12	12	20	21

<sup>1</sup> Public safety and Police Protection services contracted through Spokane County Sheriff's Office.

<sup>2</sup> Offenses include: Motor vehicle theft, Larceny theft, Burglary, Simple & Aggravated assault, Robbery, Rape, and Murder (Source: Journal of Business).

<sup>3</sup> Source: Community Indicators Initiative of Spokane (EWU).

<sup>4</sup> Highways & Streets measured in centerline miles.

<sup>5</sup> Stormwater programs acquired from Spokane County refer to note 6 of the notes to the financial statements.

<sup>6</sup> Building Department converted from a paper record system to Computerized Permit record system November 2004.

<sup>7</sup> CenterPlace is the City of Spokane Valley's Regional Community Center, and officially opened for business on September 25th, 2005. Events include:

Meetings/Seminars, Community Events, Weddings/Receptions, Private Parties, Fundraisers, and other functions.

<sup>8</sup> Operational data for participants in recreation programs collected and recorded under CenterPlace reservations by number of events.

Tracking categories changed in FY 2008, separated operating indicators between Park reservations and CenterPlace events.

<sup>9</sup> Building Department converted over to a New Permitting Software in FY '2012. Includes plumbing and mechanical permits issued as other residential valuations.

<sup>10</sup> WSDOT Transportation figures 2018 estimated City of Spokane Valley figures .

**City of Spokane Valley, Washington**  
**Comprehensive Annual Financial Report - Fiscal Year 2018**

**City of Spokane Valley, Washington**  
**Capital Asset Statistics by Function and Program**  
**Last Ten Fiscal Years**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public safety</b>										
Public safety building	1 <sup>1</sup>	1	1	1	1	1	1	1	1	1
<b>Transportation</b>										
Street facility building and yard	-	-	1	1	1	1	1	1	1	1
Cement concrete pavement ( <i>in centerline miles</i> )	5	6	6	7	7	7	7	7	8	7
Asphalt plant or road mix ( <i>in centerline miles</i> )	335	335	335	334	334	334	365	371	371	365
Bituminous surface ( <i>in centerline miles</i> )	88	87	87	88	88	88	84	82	81	88
Gravel or crushed rock ( <i>in centerline miles</i> )	10	10	10	9	9	9	1	1	1	1
Bridges	4	4	4	4	4	4	4	4	4	16
Traffic Signals	86	86	86	86	86	85	85	86	87	87
Flashing beacons school zone	20	20	24	32	32	36	36	36	36	38
4-Way intersection control flashing beacons	4	4	4	4	4	3	3	3	3	3
Rectangular Rapid flashing beacons (RRFB)	-	-	-	14	14	14	16	16	18	20
Digital Message Sign (DMS)	1	1	1	1	1	1	1	1	1	1
Standalone Traffic Cameras	3	3	3	4	8	8	9	9	9	9
<b>Culture and recreation</b>										
Parks acreage <sup>3</sup>	171 <sup>4</sup>	172	172	172	172	172	180	180	180	191
Parks (acreage undeveloped park land) <sup>3</sup>	-	-	-	-	-	-	-	-	-	49.33
Parks (developed) <sup>3</sup>	10 <sup>4</sup>	10	10	11	11	11	11	11	11	13
Park shelters	8	9	10	10	10	10	13	13	13	13
Playgrounds	-	-	-	-	-	5	6	6	7	7
Multi-purpose fields	2	2	2	2	2	2	2	4	5	5
Park sculptures	2	2	2	2	2	2	3	3	3	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Splash Pads	-	-	-	-	4	4	4	4	4	4
Softball fields	4	4	4	4	4	4	3	3	3	3
Basketball courts	3	3	3	3	3	3	4	4	4	3
Volleyball courts	2	2	2	2	2	2	10	11	19	19
Tennis courts	2	2	2	2	2	2	4	4	4	3
Dog park	-	-	-	-	-	-	-	1	1	1
Horseshoe pit	-	-	-	1	1	1	1	1	1	1
Pickleball courts	-	-	-	-	-	-	-	1	1	1
Disc golf course	-	-	-	-	-	-	-	-	1	1
Regional Convention center (w/Senior Center)	1 <sup>2</sup>	1	1	1	1	1	1	1	1	1
Dance hall/arena	1	1	1	1	1	1	1	1	1	1
Horse arena	1	1	1	1	1	1	1	1	1	1
<b>Stormwater management</b> <sup>5</sup>										
Drywells	1,330	7,376	7,262	7,189	7,439	6,751	5,738	7,263	7,472	7,441
Catchbasins	3,410	3,607	3,627	3,687	3,831	3,906	4,008	4,038	4,025	4,081
Curb/sidewalkdrops	2,480	2,473	2,479	2,487	2,801	2,932	3,116	3,148	3,153	3,309
Manhole & stormdrain covers (square & round)	10,600	11,154	11,162	11,175	11,270	12,589	13,028	11,620	11,580	11,683
Culverts	100	106	106	106	110	51	67	2	168	196
Pump systems	4	4	4	4	4	4	4	4	4	4
Stormwater pipe (not combined with sewer, miles)	22	24	24	25	27	12	12	29	30	30

1) City of Spokane Valley acquired the Public Safety Building from Spokane County in FY '2007.

2) Spokane Valley Senior Center was completely demolished in FY '2008, and Senior Center activities are housed within the 54,000 sq. ft. CenterPlace Facility.

3) Park acreage information reported in the City's Park and Recreation Departments updated Master Plan (June 20, 2019).

4) Park acreage increased in FY '2007 through acquisition of Greenacres Park for a total of "8" additional acres.

5) Stormwater assets acquired through Spokane County, refer to note 6 of the notes to the financial statements.

Note: Acquisition of Balfour Park, Fall of 2012.