Spokane Airport Board

Spokane, Washington

Creating a world class airport experience

Creating a world class airport experience

COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2014 & 2013

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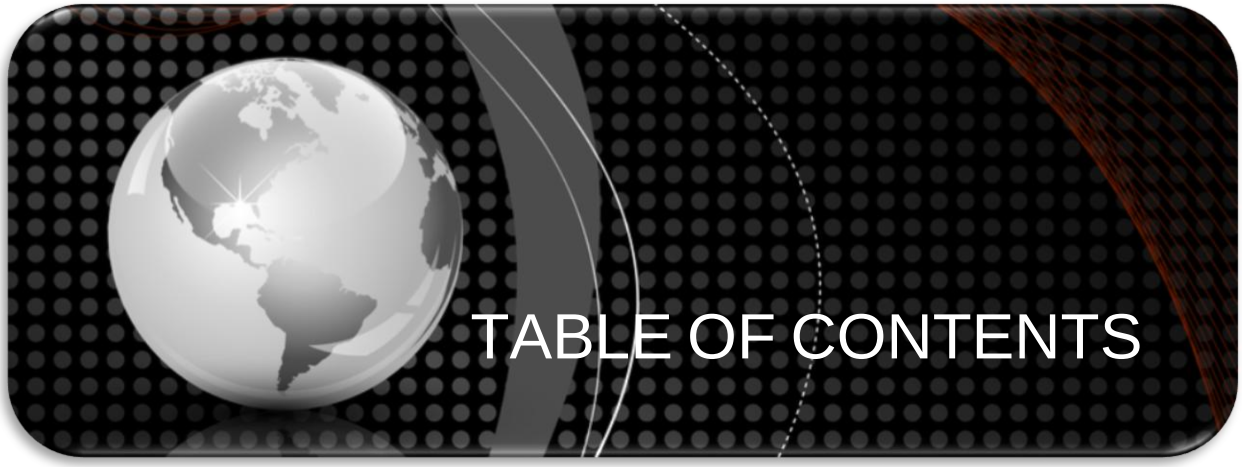
Spokane, Washington



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BUSINESS PARK AND FELTS FIELD

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June 4, 2015

To the Airport Board:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Spokane Airport Board (Board) for the fiscal year ended December 31, 2014. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, of the report rests with the Airport management. To the best of our knowledge and belief, the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

GAAP requires management to provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Organization

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

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

The Board employs the Chief Executive Officer, subject to the City and County approval. Employees of the Airport are not considered employees of either the City or the County. The Airport's staff is organized into departments, each managed by personnel appointed by and reporting directly to the CEO. The departments are: Airport Rescue and Firefighting (ARFF), Planning and Engineering, Finance and Accounting, Human Resources, Information Technology, Marketing and Public Affairs, Operations and

Maintenance, Parking and Ground Transportation, Police, and Properties and Contracts. The organizational chart that follows this letter reflects the operational structure as of December 31, 2014.

Spokane International Airport (SIA) is located six miles west of the business center of the City. It is the third largest and busiest in the contiguous Pacific Northwest region in terms of passenger traffic, behind Seattle-Tacoma International Airport and Portland International Airport. With recent land acquisitions, SIA encompasses 6,164 acres and includes two runways and associated taxiways with an FAA operated control tower. Services at SIA include cargo handling, aircraft maintenance hangars, aircraft painting facilities, and a fixed-base operator (FBO) for corporate and general aviation that provides fueling operations, storage, and aircraft parking. The Airport Board also owns a fire station, a fuel storage facility, a maintenance building, a snow removal equipment storage building, and other airfield support structures. The Airport Board owns and operates two terminal buildings that handle scheduled passenger airlines as well as two parking structures and 8 other parking lots dedicated to passenger and employee use.

The Airport Business Park (ABP) includes approximately 600 acres adjacent to SIA. The ABP is adjacent to Interstate 90, the main east-west interstate freeway from Seattle to the east coast, and includes the region's post office sorting facility, the region's waste-to-energy facility, and a wide variety of corporate offices, recycling, warehousing, manufacturing, and shipping facilities. The Airport Board owns a number of buildings in the ABP, including buildings that make up the Geiger Correction Facility, four separate office complex buildings, three combination office and warehouse buildings, three free standing warehouses, as well as a maintenance facility.

Felts Field, designated as a general aviation reliever airport for SIA, is located approximately four miles east of the City's business center, allowing general aviation operations to be located away from larger commercial passenger and air cargo activity at SIA. It encompasses roughly 395 acres of land and is used primarily for general aviation, flight instruction and aviation maintenance schools, aircraft maintenance, and charter services. The facility is also headquarters to a regional Medevac flight operation. Felts Field also has an Airport Traffic Control Tower that is part of the Federal Contract Tower program. The site contains 72 separate buildings, fourteen of which are owned by the Airport. The owned buildings include eight aircraft storage hangar buildings, one general storage building, three office buildings, a terminal building, an airfield electrical vault, and an airfield maintenance facility. The FAA's Flight Standards District Office (FSDO) is located in one of the office buildings. There are 146 fixed-wing and fourteen rotary aircraft based at Felts Field.

Economic Conditions and Outlook

Local Population and Economy

In 2013, the US Census Bureau redefined the Combined Statistical Area (CSA) of the region to include Spokane, Stevens and Pend Oreille Counties in Washington along with Kootenai County, Idaho. Larger cities located within Spokane County include Spokane, Spokane Valley, Cheney, Airway Heights, Deer Park, and Liberty Lake. Colville is the largest community in Stevens County which lies to the northwest of Spokane. Pend Oreille County is situated due north of Spokane County with the largest community of Newport. Coeur d'Alene is the largest city in Kootenai County and lies due east of Spokane in the state of Idaho.

The total estimated population of the CSA is 679,989 as of July 1, 2013. The City of Spokane is the second largest city in the state of Washington behind only Seattle and the third largest in the American portion of the Pacific Northwest, behind Seattle and Portland, Oregon. Additional demographic information about

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

Spokane's economy revolves around the following industries: Health Care, Military, Government Services, Manufacturing, Information Technology, Aerospace, and the Service Industries. The single largest employer in Spokane County is Providence Health Care of Eastern Washington with 5,170 FTEs. The largest employer in Kootenai County, Idaho is Kootenai Health with 1,799 FTEs.

Air Travel Industry Recap and Future Outlook

The International Air Transport Association (IATA) stated in its December 2014 Economic Performance of the Industry report a forecast increase in global spending in the airline industry of 4.3%, up to $823 billion. These expectations reflect lower jet fuel prices, lower fares, along, more routes, and more available seats. The increase in routes and seats are reportedly due to a $180 billion investment in new aircraft. Over half of the new aircraft will replace existing fleet while the other half, approximately 900 aircraft, will expand the global fleet to almost 27,000 aircraft. The average size of aircraft in the fleet is rising slowly, while the passenger load factors remain relatively high. Fuel prices are expected to see continued downward movement from 2013 and 2014 to under $70 /barrel in 2015.

According to IATA, North American airlines show the strongest financial performance when compared to other regions. In 2013, IATA forecasted 2014 after-tax profits to come in at $8.3 billion; the 2014 year end estimate came in at $13.2 billion, a 6% increase over 2013. Net margins in North America exceed the peak of the late 1990s. The improvement has been driven by consolidation and ancillary fees such as bag and ticket change charges.

Airlines for America (A4A), the industry trade organization for the leading airlines in the US, states in its 2014 Operational and Financial Results briefing an increase of 5% in operating revenues with a 3.3% increase in operating expenses. This combination is expected to produce a net income of $7.3 billion, 4.6% of operating revenues. The 2014 results reflected the improving finances of ten publicly traded US airlines. According to A4A, 2014 was the fifth consecutive year of "modest profitability… and has allowed air carriers to invest in product, reward employees, shareholders, and reduce debt." Some of those investments include in-flight Wi-Fi and newer aircraft, as was noted by IATA.

Known traveler programs that provide expedited screening are growing quickly, successfully speeding up the screening process for those enrolled in such programs. The Customs and Border Protection (CBP) Global Entry program reported 1.6 million members while the Transportation Security Administration (TSA) PreCheck program has exceeded 1 million enrolled passengers. The popularity of these programs highlights passenger willingness to share personal information for an expedited screening experience.

During 2014, TSA was granted authority by Congress to raise the passenger security fee from a maximum of $10.00 to $11.20 per round trip. This increase stemmed from the new language contained in the Bipartisan Budget Act of 2013.

In its Aerospace Forecast for Fiscal Years 2015 – 2035, the Federal Aviation Administration (FAA) also mentioned the fact that 2014 was the fifth year in a row of profitability by US passenger airlines. Also noted is the shift in focus from increasing market share to boosting return on invested capital. The US airlines have developed additional revenue streams for items that used to be included in airfare as well as charging for services not previously available, such as premium boarding and fare lock fees.

The FAA data for 2014 shows passenger carriers having a combined operating profit of $14.9 billion, slightly above the IATA forecast. Load factor rose to 83.4 percent in 2014, up 0.2 percent from 2013, meaning each plane in the network was 83.4% full on average. The FAA report indicates today's commercial air carrier industry is showing three distinct trends: continuing consolidation and restructuring, continued capacity discipline, and the proliferation of ancillary revenues.

The 2015 FAA forecast calls for US air carrier passenger growth over the next twenty years to average 2 % per year, slightly lower than the 2013 forecast. As declines in oil prices may provide a short catalyst in passenger growth, the forecast presumes prices will rise over the next five years, muting any large recovery in the US and global economies affecting air carrier and passenger activity.

In response to sequester provision, the FAA proposed closing federally contracted air traffic control towers, such as the Felts Field tower, while TSA attempted to vacate their responsibility and cost for exit lane screening. Both of those actions were designed to shift costs to airports. For the present, those issues and related costs remain with the FAA and TSA, although both the Reducing Flight Delays Act and the Bi-Partisan Budget Act are temporary measures that do not carry beyond the 2015 federal fiscal year.

As Congress prepares for the next FAA Reauthorization bill, which expires September 30, 2015, the airport industry, particularly small and non-hub airports, remain exceedingly concerned about cost shifts and financing capital improvements in order to address ongoing safety, security, and capacity needs. In addition, the administration's attempt in 2013 to close the nation's 180 federally contracted Air Traffic Control Towers and the looming financial impacts of sequestration, has created a sense of urgency to ensuring Airport needs are met in the next FAA Reauthorization bill.

Spokane's specific interests are wide ranging: modernization of the PFC program, protection of the Airport Improvement Program, Alternative Minimum Tax (AMT) effects of some financing mechanisms, the Small Community Air Service Development Program, pilot shortages, air traffic control tower services, and general FAA rulemaking processes as they affect airports.

Air Service

The SIA market area does not have significant overlap with other market areas of commercial service airports in the region, which limits the leakage of passengers to competing airports. The closest airport serving nationwide passengers is the Tri-Cities airport (PSC) located in Pasco, WA, approximately 120 miles to the southwest. The Missoula, MT airport (MSO) is located approximately 200 miles to the southeast. Large hub Seattle Tacoma International Airport (SEA) is approximately 300 miles west and medium hub Portland International Airport (PDX) is approximately 350 miles southwest of Spokane.

The Airport's primary air service objectives include retaining all existing scheduled passenger service and adding new nonstop service, increasing frequencies and capacity (seats) in existing markets and to add new and existing destinations through incumbent and new entrant carriers. As of December 31, 2014, there were six airlines providing regularly scheduled services at SIA: Alaska, Delta, Frontier, Southwest, United, and American (including the merged US Airways). During 2014, Frontier Airlines announced they would be discontinuing service at SIA the first week of January 2015. In 2014, Alaska Airlines (including Horizon) carried 41.4% of enplaned passengers (up from 39.8% in 2013); Southwest Airlines carried 24.5% (down from 25%), and Delta Airlines carried 19.5% (up from 19.3%).

Through December 2014, thirteen destination airports were served nonstop from SIA, including Boise, Denver, Las Vegas, Los Angeles, Minneapolis, Oakland, Phoenix, Portland, Salt Lake City, and Seattle-Tacoma, along with seasonally served locations including Atlanta (summer), Chicago-Midway (summer), and Chicago-O'Hare (summer).

SIA staff work diligently in maintaining customer service while attempting to retain and expand existing service and attract new routes. Delta Airlines daily non-stop service to Los Angeles International (LAX) has shown success for the airline to continue offering the route through 2015 as part of their schedule. On November 3, 2014, Delta also instituted daily flights to Seattle International (SEA). With these increases in seat capacity and destinations, SIA's total passenger count increased 2.0% over 2013 to 2,986,652.

The number of available seats during the summer of 2015 is forecast to increase in the Spokane market by approximately 3%. Along with the increases in incumbent routes, Delta will increase their capacity with larger aircraft (all Boeing 757s) to Minneapolis / St. Paul (MSP) during the summer months. Early in 2015, Alaska announced daily service to Boise, Idaho beginning in August of 2015. The airport continuously develops marketing strategies to attract air service to new destinations from existing or new carriers. Focus routes include Anchorage, Calgary, Dallas/Fort Worth, and San Diego as well as year-round service to Chicago and Atlanta.

Major Initiatives

Capital Improvement Program

The overall guiding document in the development of SIA, ABP and Felts Field is the Master Plan. This document sets out an overall development plan to address forecast growth. Additional information on the Master Plan may be found in Long Term Financial Planning later in this letter.

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

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

Fiscal Year 2014 Substantially Completed Construction and Other Projects at Felts Field:

Project	*Cost*	*Funding Source(s)*
Phase II& III, Apron Rehabilitation	$5.125 M	AIP; General Airport Revenues (10% match)
Airfield Regulator Building	$360,000	AIP; General Airport Revenues (10% match)
Other Airfield and Terminal Improvements	$468,000	General Airport Revenues
Property Acquisitions	$120,000	General Airport Revenues

Fiscal Year 2014 Substantially Completed Construction and Other Projects at SIA:

Project	***Cost***	***Funding Source(s)***
Reconfiguration of Taxiways Phase 1	$13.9 M	AIP; General Airport Revenues (10% match)
Construction of ARFF Facility	$8.9 M	AIP; General Airport Revenues (10% match)
Property Acquisitions	$2.6 M	General Airport Revenues
Customer Car Wash Facility	$1.7 M	General Airport Revenues
Vehicle and Equipment Additions	$1.6 M	General Airport Revenues
Other Airfield Improvements	$707,000	General Airport Revenues
Hangars and Buildings Improvements	$890,000	General Airport Revenues
Landside Roads and Parking Lot Improvements	$431,000	General Airport Revenues
Information Technology Projects	$317,000	General Airport Revenues

Fiscal Year 2015 CIP at SIA and Felts Field – Continuing and Budgeted New Projects:

Project	*Estimated Cost*	*To-Date Costs Incurred*	*Funding Source(s)*
Reconfiguration of Taxiways Phase 2– SIA	$9.2 M	$714,000	AIP; General Airport Revenues (10% match)
Landside Operations Bldg	$2.5 M	$165,000	General Airport Revenues
Terminal Renovation Planning Study	$1.7 M	$987,000	PFC
Fuel Facility Safety Upgrades – SIA	$1.7 M	$230,000	Fuel Flowage Fees
Airport Drive and Parking Improvements – SIA	$1.3 M	$20,000	General Airport Revenues
Vehicle and Equipment Additions	$1.5 M		General Airport Revenues
Vehicle and Equipment Additions	$1.3 M	$450,000	General Airport Revenues
IT Projects	$500,000		General Airport Revenues
Phase III, Apron Rehabilitation – Felts Field	$4.5 M over 2 years	$465,000	AIP; General Airport Revenues (10% match)
Other Airfield & Terminal Improvements–Felts Field	$1.1 M		General Airport Revenues

Major Maintenance Program

The staff recommends and the Board approves numerous maintenance programs as part of each year's budget process. Maintenance projects require funding from general airport revenues. Such projects entail the repair and maintenance of the physical assets of the Airport and are not capitalized as fixed assets. As part of the budgeting process, department heads identify, evaluate, prioritize, and coordinate proposed projects for a two to five-year period. A history of an overly aggressive expense management focus and lagging market rate adjustments in prior years has led to a significant amount of deferred maintenance items. Items deferred in previous years will continue to be addressed each year on a more aggressive basis.

Significant maintenance projects at SIA, ABP, and Felts Field revolved primarily around refreshing areas of the terminal where there is high foot traffic at a total cost of $349,000.

Major 2014 Maintenance Projects:

Project	***Cost***	
SIA Painting Projects (Bldgs. & Striping)	$134,000	General Airport Revenues
SIA Painting Projects (Bldgs. & Striping)	$88,000	
SIA Terminal Re-Carpeting Projects	$76,000	
SIA Garage Lobby Area Enclosures	$51,000	

Federal and State Funding

The Airport participates in the FAA's Airport Improvement Program (AIP), which provides grants from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grant amounts received under this program in fiscal year 2014 totaled $15.8 million for SIA and $2.3 million for Felts Field. Projects ongoing at SIA and Felts Field have an additional $13.8 million and $5.1 million, respectively, committed by the FAA for fiscal years 2015 and 2016. Ongoing Other Transactional Agreements (OTA) with the Transportation Security Administration have $5.6 million committed over the next two years for the Explosive Detection System.

Passenger Facility Charge (PFC) Program

A PFC is a local user fee paid by passengers to generate revenues for airport projects that increase capacity, enhance competition among and between air carriers, improve safety or security, or mitigate noise impacts. Airports using PFCs must apply to the FAA and meet specific requirements set forth in the enabling legislation. Airport operators may impose PFCs only after receiving written approval and authorization from the FAA.

The Airport first utilized the PFC Program in 1993 under the terms of its initial PFC application (93-01-C-GEG) approved by the FAA. PFC Applications 93-01-C-GEG through 09-07-U-GEG have been closed. As of December 31, 2014, the Airport currently has two applications open, which are scheduled to be closed in 2015. As of December 31, 2014, the Airport has been authorized to collect $120,692,608 and has used $118,307,520 in PFCs to fund 41 projects since the inception of the program. Early in 2015, the FAA authorized continued collection for seven more projects that will improve safety and security as well as increase capacity. The amount approved was $15,036,120, bringing the total authorized amount of PFC to

$135,728,728. The current PFC, set at a maximum of $4.50 per enplaned passenger is expected to continue generating between $5 million and $6 million annually and is anticipated to be dedicated for improvements to the passenger terminal buildings.

Leasing and Business Development Activity

The Airport's residual airport use agreement with its signatory airlines was extended through December 31, 2015. The Airport and the signatory airlines participated in discussions during late 2014 and early 2015 regarding a new use agreement. Of the six passenger carriers at SIA, five operate as signatories to the agreement. The two air cargo companies, Federal Express (FedEx) and United Parcel Service (UPS), also operate as signatories to the agreement.

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

Two significant aircraft maintenance companies serve as the cornerstone of the Aerospace and Maintenance, Repair and Overhaul (MRO) cluster. One of these companies, Associated Painters, Inc., leases one building along with leasing adjacent land where they have constructed a second paint hangar that opened in June 2014.

On March 20, 2014 the Airport released an announcement regarding a land sale to Exotic Metals Forming Company that built a manufacturing facility on a site west of the terminal. The Airport continues to market the available land around the airport area with opportunities to attract other aircraft maintenance providers and aerospace related employers.

In November of 2014, Aero-flite, Inc. announced plans to move its headquarters and air tanker fleet to Spokane. Aero-flite is a private operation of aerial tankers providing aircraft and crews to the US Forest Service for fighting wildfires. The company has been leasing space from airport for about a year while the plans to move the headquarters were finalized during 2014.

SIA currently has a Fixed Base Operator (FBO), operating as Landmark Aviation, which bought the previously known XN Air operation. Aircraft Solutions provides flight school training, as well as aircraft and avionics maintenance services. Absolute Aviation provides aeronautical equipment repair services. Horizon Air Industries leases space on the airfield to operate an overnight (8PM – 8AM) maintenance base and performs routine inspections on their Q400 aircraft. Empire Airlines, FedEx's largest feeder, leases a hangar facility and maintains their fleet of single engine Cessna 206 "Caravan" aircraft.

In the Airport Business Park, new development revolves around waste and recycling collection. A single stream recycling facility was constructed in 2012 adjacent to the Waste to Energy plant by Waste Management. Both of these facilities are located on airport property and continue to serve in their respective capacities. Spokane County operates their Geiger Corrections facility in the Business Park, under a five-year lease agreement.

The FBO at Felts Field, Western Aviation, provides aircraft maintenance and fuel dispensing. Spokane Turbine Center (STC) operates their private aircraft maintenance school and pilot training center in two buildings purchased from the Airport in 2013. A for-profit subsidiary of STC, Parkwater Aviation, provides recurrent pilot training on Quest Aviation's Kodiak turbo-prop driven aircraft for Federal agency and corporate aviators. Both Western Aviation and Spokane Turbine Center have provided letters of intent to the Airport Board indicating their plans to expand their facilities. Rocket Engineering provides aircraft modification services. Inland Helicopters provides flight services and pilot training. Inland NW Health Services (INHS) operates Northwest MedStar, the region's premier critical care transport service. The Community Colleges of Spokane operates an aviation maintenance program out of two buildings with airfield access at the airport.

The overall impact of these leasing activities at SIA, ABP, and Felts Field are outlined in an upcoming Economic Impact of Spokane International Airport study. The study shows direct impacts in terms of nearly 4,600 jobs at SIA, over 1,000 at the ABP, and nearly 300 at Felts Field. The related labor income representing wages, benefits, and proprietor income is over $250 million annually.

Customer Service

Airport management regularly utilizes on-site passenger surveys. These surveys indicate that on-going enhancements to the passenger experience are needed at the airport. Each year since 2012 the airport has added programs to improve the passenger experience. Fiscal year 2014 saw continued focus with the following customer service initiatives at SIA:

- Access to a newly constructed touch-less car wash for those customers parking in the two garages and the adjacent outside surface lot, the cost of which is included in the daily parking rate for those lots.
- Purchase and installation of the second phase of new passenger seating units along with charging stations in the Concourse A/B hold rooms. The third phase in Concourse C is scheduled for 2015.
- Installation of new Wi-Fi infrastructure allowing unlimited free access the Airport Wi-Fi.
- Rollout of a newly designed website to assist those seeking information about the Airports.
- Construction and installation of a programmable electronic sign on the outbound road that can display any important traveler road information.
- Construction of a TSA Precheck registration office, centrally located in the terminal, to assist travelers enrolling in the program.
- The development and implementation of the Passenger Service Assistance (PSA) program to provide personal travel assistance and way-finding throughout the Airport during daily peak travel hours.

Community Involvement and Promotion

SIA is a major economic engine and a critical transportation hub for the region. As such, it provides important opportunities for both businesses and employment. Significant projects in recent years created new, and retained existing, highly needed jobs in the community. The continuing airfield and building construction projects amount to over $15.5 million in upcoming work in 2015 and 2016. These and other projects already identified at SIA, ABP, and Felts Field will continue to generate and retain jobs in the private sector.

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

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

Travelers passing through the Airport see promotion of local events such as Bloomsday, the Pacific Northwest Volleyball Qualifying Tournament, Hoopfest, and NCAA athletics. Airport employees volunteered and participated in the third annual Spokane Plane Pull, raising funds for Special Olympics through the coordination of local law enforcement agencies.

Many of the Airport Board members, employees of the Airport and its tenants volunteer their time coaching athletic teams, participating as adult leaders in youth organizations such the Boys & Girls Club, Scouts (i.e., Boy, Girl, and Cub), and the YMCA/YWCA; serving on civic boards and supporting numerous fundraising events for charitable causes.

Financial Policies and Practices

Internal Control Environment

The Airport is responsible for establishing and maintaining internal controls designed to ensure its assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP and GASB. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Airport is also responsible for ensuring that adequate internal controls are in place for documenting compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management.

Budgetary Controls

An annual budget is prepared separately for each operating area of the Airport (SIA, ABP, and Felts Field) and is presented to and approved by the Airport Board and then approved by the City and the County prior to December 1 for the following year. The annual budget serves as a foundation for financial planning and control. All unused budgeted expenses lapse at the end of each fiscal year.

In preparing the annual budgets, the operating budget for SIA is presented to the Airport Airline Affairs Committee (AAAC) for review prior to presentation to the Board. The operating budget of SIA is currently based on a "residual" approach and forms the basis of the contractual relationship with signatory airlines.

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

Long-Term Capital Financing and Debt Management

One of the tools the Airport uses for long-term planning is the Master Plan. A Master Plan update was approved by the FAA on November 7, 2014 with the signature of the Airport Layout Plan. This project extensively examined preferred alternatives needed to meet projections of demand in airfield, landside, and terminal renovations, typically looking twenty to thirty years into the future. It was prepared with the input of the board, staff, signatory airlines, other key tenants and stakeholders, community leaders, and the general public. The Master Plan consists of a technical report that specifies the logic and reasoning for the proposed capital improvements. Also in the report are drawings, known as the Airport Layout Plan (ALP), illustrating the physical layout of proposed improvements. The FAA uses the ALP to assist in awarding funding for future projects through the AIP or PFC programs.

A Master Plan update for Felts Field was last updated in 2003. A study of the Felts Field Terminal area was completed in 2010 in preparation of future development at the airfield. The last Master Plan update for the ABP was completed in 2002.

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

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

Capital expenditures for fiscal year 2014 were financed through a combination of FAA grants, PFC funds, TSA's Other Transactional Agreements (OTA), and internal financing from unrestricted funds. Future capital planning will involve continued use of FAA and state grants, TSA OTAs, bonding opportunities, the use of long and short-term financing, and internal funds. Detailed information on long-term debt may be found in the financial section (Note 6) of this report.

Acknowledgements

The publication of this CAFR is a reflection of the level of excellence and professionalism of the Airport's Finance and Accounting Department. The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Spokane Airport Board for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the fourth year in a row the Airport achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

We also wish to thank each Board Member for their continuing interest and support of the staff's efforts to conduct the financial operations of the Airport in a responsible and progressive manner that meets our business objectives.

Requests for Information

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

Respectfully submitted,

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

David R. Armstrong, CPA
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Spokane Airport Board

Washington

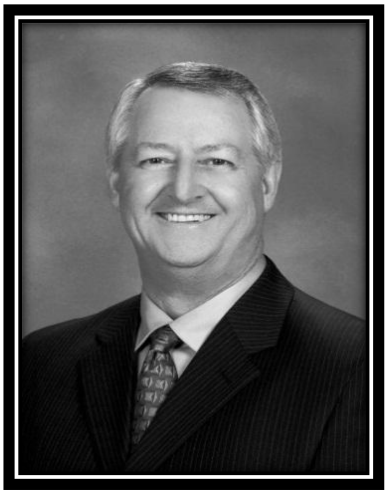
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2013

Jeffrey R. Emer

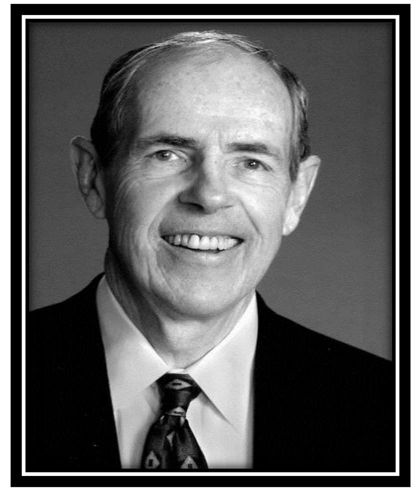
Executive Director/CEO

SPOKANE AIRPORT BOARD



AL FRENCH
CHAIRMAN

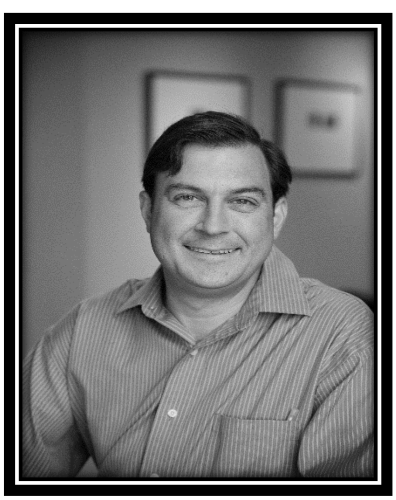
KRIS MIKKELSEN
VICE CHAIR



DAVID CLACK
SECRETARY

MAX KUNEY

COLLINS SPRAGUE

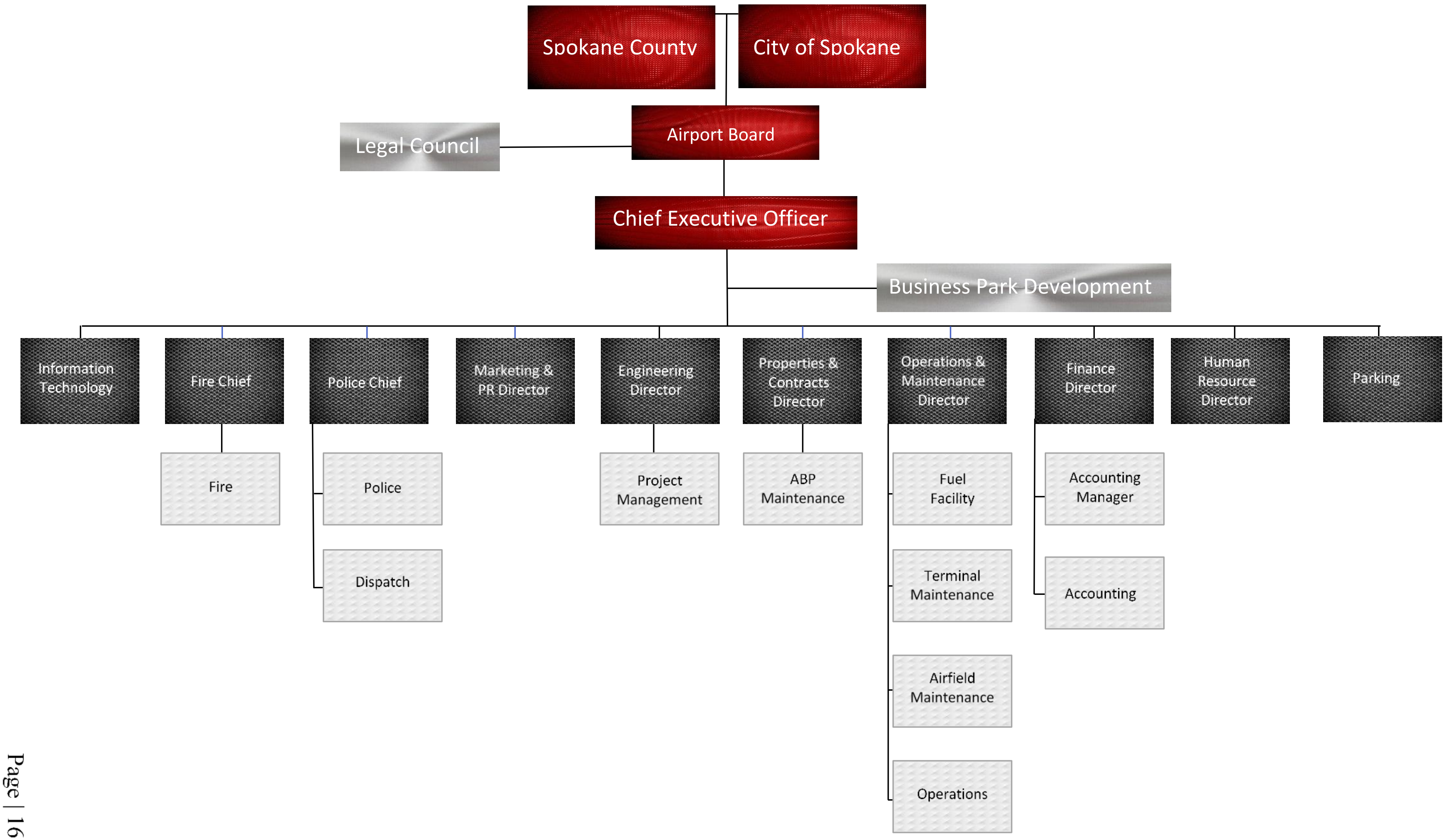


BEN STUCKART

NANCY VORHEES

SPOKANE AIRPORT BOARD

ORGANIZATIONAL CHART



MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Spokane Airport Board

Report on the Financial Statements

We have audited the accompanying financial statements of Spokane Airport Board (Airport), a joint venture of the city of Spokane, Washington, and Spokane County, Washington, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

REPORT OF INDEPENDENT AUDITORS
(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2014 and 2013, and the respective changes in its net position and its cash flows for the years 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 Other Postemployment Health Care Benefits on pages 19 through 28 and 72 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Moss Adams LLP

Spokane, Washington
June 4, 2015

FINANCIAL SECTION

The following is a discussion and analysis of the activity and financial performance of Spokane International Airport (SIA), the Airport Business Park (ABP), and Felts Field, collectively known as the Spokane Airport Board or the Airport. It serves as an introduction to, and provides understanding of, the basic financial statements for the year ended December 31, 2014, with selected comparative information from the years ended December 31, 2013 and December 31, 2012.

SIA, ABP, and Felts Field receive no tax revenues and do not have the authority to levy taxes. These facilities are jointly owned and operated by the City and County of Spokane (the City and County) through the *Airport Joint Operation Agreement*. The two-airport system provides domestic and international air service for the Pacific Northwest as well as general aviation access to the region.

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

The Basic Financial Statements and Required Supplementary Information consist of Management's Discussion and Analysis (MD&A), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. This MD&A has been prepared by management and should be read in conjunction with the financial statements and the notes, which follow this section.

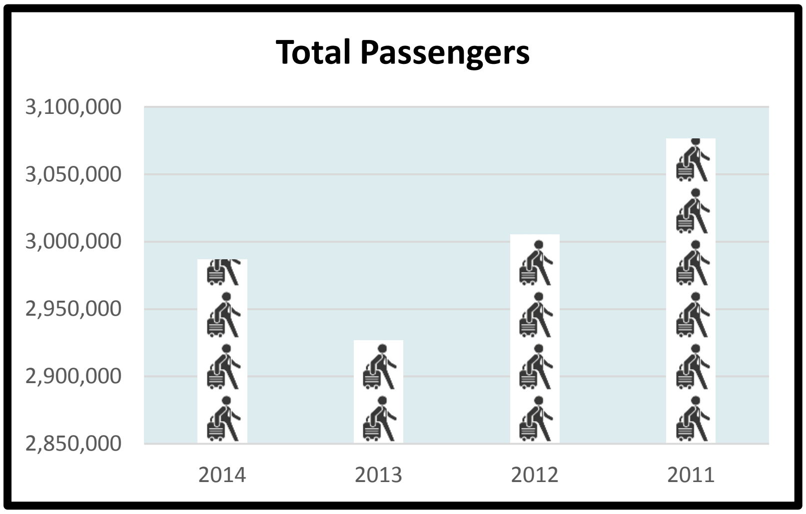
AIRPORT ACTIVITIES AND HIGHLIGHTS

Passenger, Operations and Cargo Highlights:

According to the latest available data from the Federal Aviation Administration, SIA ranks as the 73rd busiest US airport for passengers and 45th busiest in terms of cargo. The principal services provided by the Airport have been passenger origin and destination traffic.

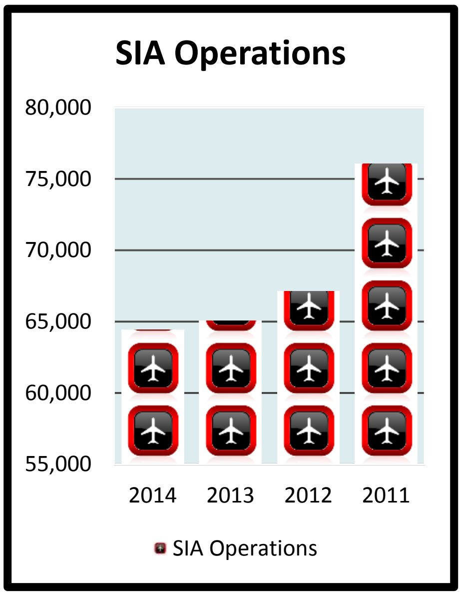
Passenger, Cargo (including amounts by passenger air carriers), and Operations statistics are as follows:

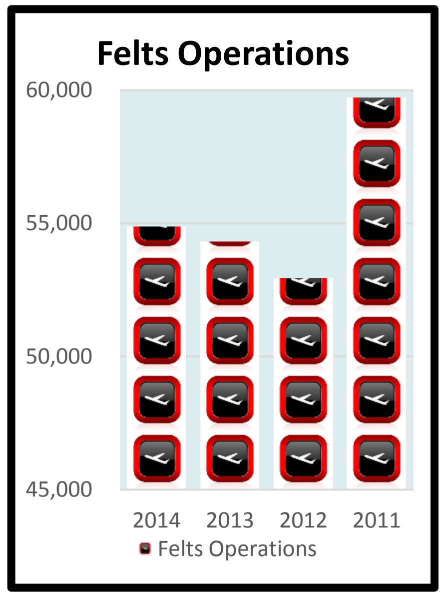
Summary of Operations	2014	2013	2012
Total Passengers	2,986,652	2,926,858	3,005,664
SIA Cargo (tons)	65,619	64,146	61,374
Felts Field Cargo (tons)	42	28	31
SIA - Operations	64,409	65,063	67,131
Felts Field - Operations	54,881	54,293	52,928



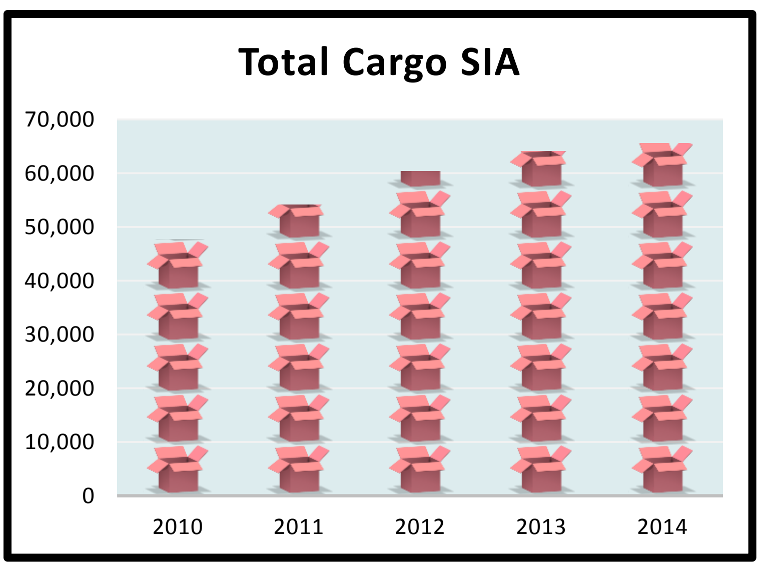
Traffic in Spokane in 2014 went slightly against the national airport trends. Nationwide trends show declines at small and medium hub airports along with small increases at large hubs. The Inland Northwest has a tendency to be insulated from wild swings, as a result, 2014 showed an increase of 2% to 2,986,652 total passengers following the 3% decrease in 2013 over 2012.

The year 2014 saw a 1% decline in operations (takeoffs and landings) at SIA from 2013 as airlines continued to adjust their fleet mix and capacity. The decline in airline operations is offset by the increase in available seats due to the change in aircraft mix by air carriers leading to the 2% increase in total passengers in 2014. Operations at Felts Field show an increase of 1% for the year.





Mail and cargo traffic has been positive at SIA in recent years with an increase of 2% in 2014 over 2013 following an increase of 5% in 2013 over 2012. These increases are due primarily to the increase in freight activity handled by United Parcel Service. Cargo traffic at Felts Field increased 50% after a decline of 10% in 2013. Combining mail and cargo for the two facilities shows an overall increases of 2% in 2014 and 5% in 2013.



FINANCIAL STATEMENTS

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

The Statement of Net Position reports the assets, liabilities, and net position as of year-end. Changes in Net Position over time are an indicator of whether the Airport's financial condition is improving or declining. The Statement of Cash Flows compares the operating results of 2014 to 2013 with the associated flow of cash.

Below is a Summary of the Statement of Net Position:

Summary Schedule of Net Position	2014	2013	2012
Current Assets	$ 42,960,697	$ 45,508,746	$ 45,342,523
Noncurrent Assets			
Other Noncurrent Assets	6,466,560	8,413,356	7,366,982
Capital Assets	271,533,942	259,955,461	255,529,286
Total Assets	$320,961,199	$313,877,563	$308,238,791
Current Liabilities	$ 8,664,497	$ 12,790,448	$ 11,369,189
Noncurrent Liabilities			
Other Noncurrent Liabilities	9,309,328	9,348,524	9,358,826
Bonds and Other Long-Term Debt	14,390,997	17,695,857	20,790,431
Total Liabilities	32,364,822	39,834,829	41,518,446
Net Position			
Net Investment in Capital Assets,	253,547,618	237,963,305	229,895,863
Restricted	10,559,373	14,361,161	12,483,282
Unrestricted	24,489,386	21,718,268	24,341,200
Total Net Position	$288,596,377	$274,042,734	$266,720,345

Assets:

Total assets increased in 2014 by 2% after increasing in 2013 also by 2%. The increase in 2014 is caused primarily by increase in Capital Assets, including Construction in Process, offset by decreases in Other Noncurrent assets. The net increase in 2013 is caused by an increase in Capital Assets and Other Noncurrent Assets.

Current Assets decreased in 2014 by 6% after a slight increase in 2013 of less than 1%. The decrease in 2014 relates to a decrease in receivables from government agencies along a decrease in retainage.

Other Restricted Noncurrent Assets decreased in 2014 by 23% after increasing in 2013 by 14% primarily related to decreasing reserves as one long term debt will pay off in 2015, thereby reducing the need for a future reserve. The increase in 2013 related to increasing debt reserves as long term debt was maturing.

Capital assets increased by 4% in 2014 and 2% in 2013. Both years' increases relate primarily to significant on-going taxiway / ramp construction projects and property acquisitions at SIA and Felts Field. Also contributing to the increase in 2013 was a significant roofing project at an SIA-owned aircraft maintenance hangar, along with land and equipment acquisitions. Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements. Information regarding future commitments relating to capital projects can be found in Note 13 and 17.

Liabilities:
Total liabilities decreased 19% in 2014 after decreasing 4% in 2013. The decrease in 2014 relates to decreases in both current and long term debt. The decrease in 2013 was due to an increase in current liabilities offset by a larger decrease in long term debt.

Current liabilities decreased 32% in 2014 following a 13% increase in 2013. The decrease in 2014 is attributable to decreases in all payables due at year end, including general and construction amounts payable. The increase in 2013 was caused by increased amounts due to contractors and suppliers at year end which was offset somewhat by reduced amounts of retention due to contractors working on federally funded projects. Also contributing to the 2013 increase of current liabilities is an increase in the amount of the current portion of long term debt.

Other noncurrent liabilities have remained constant in 2014 compared to both 2013 and 2012.

Long term debt showed decreases in 2014 and 2013 of 19% and 15% respectively through normal repayment of debt service activity in those two years. The Airport issued no new long term debt in either 2014 or 2013. Additional detailed information regarding long term debt activity may be found in Note 6 to the financial statements.

Net Position:
The Airport's assets exceed liabilities at the end of 2014 by $288.6 million, an increase of 5% over 2013. In 2013 assets exceeded liabilities by $274.0 million compared to $266.7, an increase of 3% over 2012.

The largest portion of the Airport's net position, $253.5 million in FY 2014, $238.0 million in FY 2013, and $229.9 million in FY 2012 represents the net investment in capital assets (e.g. land, buildings, machinery, and equipment). The increases from year to year correspond to the increase in capital assets for the same years. See the discussion above under the Assets and Liabilities section and Note 5 to the financial statements for additional information on capital asset activity.

An additional portion of the total net position, $ 10.6 million in 2014, $14.4 million in 2013 and $12.5 million in 2012 represents resources that are subject to restrictions from government grantors, bond resolutions, other third party agencies or State and Federal regulators on how those resources may be used. The decrease of 27% in 2014 relates to the reduction of amount due for debt service, amounts held for specific projects for rental car agencies in the form of transaction fees along with retainage due to contractors Reducing the effect in 2014 was an increase in the amount held for future PFC projects. The increase of 15% in 2013 corresponds to increases in current portions of long term debt due and an increase in cash held for rental car agencies as transaction fees. The amount of restricted net assets does not affect the availability of other resources for future use.

The portion of total net position unrestricted in 2014 increased by 13% as amounts related to debt service and retainage are no longer due or restricted coupled with a reimbursement by the FAA of a prior year qualifying expenditure. The 11% decrease in 2013 relates to planned expenditures of cash for land acquisition and capital improvements funded with Airport resources. These unrestricted net assets may be used for any lawful purpose of the Airport.

The table below summarizes the effect of revenues and expenses on Net Position for the three years ended, December 31, 2014, 2013, and 2012.

Summary of Revenue and Expenses	2014	2013	2012
Operating Revenue	$ 27,836,397	$ 27,469,804	$ 27,486,021
Operating Expense	21,732,679	22,259,196	19,179,421
Operating income before depreciation	6,103,718	5,210,608	8,306,600
Depreciation expense	18,176,458	16,779,037	14,986,692
Operating income (loss)	(12,072,740)	(11,568,429)	(6,680,092)
Nonoperating Income (Expense)	8,497,839	8,414,235	7,935,939
Increase in Net Position before Capital	(3,574,901)	(3,154,194)	1,255,847
Capital Contributions and Grants	18,128,544	10,476,583	3,794,464
Increase in Net Position	14,553,643	7,322,389	5,050,311
Net Position, beginning of year	274,042,734	266,720,345	261,670,034
Net Position, end of year	$ 288,596,377	$ 274,042,734	$ 266,720,345

Operating revenues have been consistent over the past years. Total operating revenues in 2014 of $27.8 million increased 1% over 2013. The $27.5 million operating revenue of 2013 was a slight decrease of less than 1% from 2012. The primary drivers of the increase in 2014 were terminal revenues, other leasing activities and parking operations. The 2014 increase in traffic generated passenger related revenues to increase, specifically in terminal concessions and parking.

Total operating expenses in 2014 decreased to $21.7 million, before effects of depreciation, representing a 2% decrease from 2013. 2013 posted $22.3 million in operating expenses, 16% above 2012. The decrease in 2014 is primarily related to reduced spending in other leased areas as the decision to reschedule maintenance projects in leased areas, specifically in the Business Park. Studies are ongoing to determine the best use of the land in those areas. The increase of 2013 expenditures were a result of planned, and budgeted, increases in expenditures related to maintenance items at SIA and Felts Field that were deferred in prior years. Customer service initiatives were brought online to provide a higher level of service to the traveling public. Planned marketing efforts to attract new air service continued and began to pay dividends with new routes. The increase in non-operating income of 1% in 2014 relates to a decrease in interest expense along with small increases in most non-operating revenues notably interest, Transaction Fees and PFCs. The 6% increase in 2013 over 2012 was primarily the result of a gain on the disposition of buildings at Felts Field along with reductions in non-capital grant expenses along with interest expense reductions.

Capital contributions and capital grant revenue of $18.1 million in 2014 is a 73% increase over $10.5 million of revenue in 2013. The 2013 increase in revenue represented a 176% increase over 2012. These fluctuations in revenue is representative of the nature and timing of federal grant funding as the amount of discretionary grant revenue can vary greatly from year to year.

Revenues:

Below in a summary of revenue for the three fiscal years ended December 31, 2014, 2013, and 2012:

Summary of Revenues	2014	2013	2012
Operating Revenues:			
Airfield	$ 3,967,783	$ 4,330,579	$ 4,715,829
Passenger terminal	10,971,883	10,484,004	10,452,201
Leased buildings	2,243,089	2,273,517	2,324,069
Leased areas	1,916,875	1,848,795	1,577,762
Parking	8,617,186	8,380,053	8,317,095
Other	119,581	152,856	99,065
Total Operating Revenue	27,836,397	27,469,804	27,486,021
Nonoperating Income:			
Interest income	432,246	423,440	576,935
Gain on disposal of assets	89,315	213,000	-
Transaction fee	2,738,343	2,691,068	2,263,582
Passenger facility charges	5,721,871	5,650,426	5,763,073
Other grant revenue	381,572	314,874	482,895
Total Nonoperating Income	9,363,347	9,292,808	9,086,485
Total	$37,199,744	$36,762,612	$36,572,506

Airfield revenue decreased in 2014 by 8% primarily due to a planned 12%, ($1.73 to $1.52 per 1,000 pounds of landed weight), reduction in the landing fee rate for signatory air carriers. This rate decrease was offset by increased landed weights by air carriers. The decrease in 2013 of 8%

was due to a reduction of 3% in operations along with a planned 3% reduction in the landing fee rate for signatory air carriers. The reduction in the landing fee rate was somewhat offset by an adjustment to terminal and other leasing rates.

Passenger terminal revenue showed an increase of 5% in 2014 after a less than 1% increase in 2013 over 2012. The increase in 2014 is primarily a result of a 5% increase in the terminal rent rate along with the increase in concession revenue as a result of increased passenger traffic.

Building and hangar leasing revenue decreased 1% in 2014 after a similar decrease of 2% in 2013. The decrease in 2014 was primarily a result of the reduced building usage by the Geiger Correction Facility in the Business Park. The decrease in 2013 was primarily caused by the conversion of two building leases into land leases through the sale of two buildings at Felts Field.

Land leasing activity increased 4% in 2014 after an increase of 17% in 2013. The increase in 2014 is caused primarily by programmed rate increases related to land leases. The increase in 2013 was primarily attributable to rates charged rental car agencies for rented land along with the conversion to land leases for the two buildings sold at Felts Field.

Parking revenue increased in 2014 by 3% after the increase in 2013 of 1%. The 2014 increase is a result of increased passenger traffic along with the concerted effort to market the parking operation of the Airport. The increase in 2013 is related to a refinement of the parking rate structure without an increase to the daily maximum rates.

Non-operating revenue increased 1% in 2014 as compared to 2013. Gains on dispositions of assets declined nearly $124,000. The decline in gains was offset primarily by 2% and 1% increases in collected Transaction Fees and PFCs respectively. The 2% increase of non-operating income in 2013 is primarily reflected in three items: a 19% increase in Transaction Fees, a gain in disposition of assets and a 2% decrease in PFC collections. The Transaction Fee revenue increase, generated through rental car activity, is reflected by an increase from $3.00 to $3.75 per rental day charge enacted late in 2012. Along with the Transaction Fee increase, a gain from the disposition of assets at Felts Field also contributed. Offsetting some of the increase in 2013 was a 2% decrease in PFC collections which corresponded to the decrease in total passengers in 2013. The Transaction Fee and PFC are restricted to specific uses and are not used to fund operations.

Also included in non-operating income is interest revenue and non-capital grant revenue. Interest income increased in 2014 by 2% after a decrease in 2013 of 27%. The increase in 2014 relates to higher unrestricted cash balances through the year while 2013 had lower balances due to the planned reduction in cash and interest bearing balances. Non capital grant revenue is predominantly related to grants issued for law enforcement work at the airport and is relatively constant over 2014, 2013 and 2012.

Expenses:

Below in a summary of expenses for the three fiscal years ended December 31, 2014, 2013, and 2012:

Summary of Expenses	2014	2013	2012
Operating Expenses:			
Airfield	$ 9,208,067	$ 8,952,352	$ 8,041,863
Passenger terminal	4,380,790	4,343,695	3,962,181
Leased buildings	942,667	1,368,734	1,028,150
Parking	2,569,236	2,820,033	2,153,263
Administration and operations	4,631,919	4,774,382	3,993,964
Total Operating Expense	21,732,679	22,259,196	19,179,421
Depreciation expense	18,176,458	16,779,037	14,986,692
Nonoperating Expense			
Interest expense	491,735	582,921	675,831
Loss on disposition of assets	-	-	23,709
Other grant expense	373,773	295,652	451,006
Total Nonoperating Expense	865,508	878,573	1,150,546
Total	$40,774,645	$39,916,806	$35,316,659

Airfield expenses in 2014 increased 3% due primarily to increased usage of Glycol Recovery Vehicles (GRV) in the winter months. 2013 increased 11% due to a combination of increases in staffing costs, deicing materials used, along with increased use of GRVs.

Terminal expenses increased 1% in 2014 due to increased maintenance activity, such as carpet replacements, which were offset by decreases in most other items in the department. 2013 terminal expenses increased over the prior year by 10% due to maintenance and repair items related to buildings and equipment along with increased frequencies and duties of contracted janitorial services.

Building and other leased site expenses decreased by 31% in 2014 after increasing 33% in 2013 related primarily to recording of an adjustment to the environmental liability related to buildings located in the Airport Business Park.

Parking expenses in 2014 decreased 9% attributable to maintaining a program of repairs and maintenance after prior years of increased maintenance that were previously deferred. The 31.0% increase of parking expenses in 2013 is due to repairs to the garage structures and outdoor lots along with increases in contracted janitorial services throughout the garages and lots.

Administrative expenses decreased in 2014 by 3% primarily due to decreases in air service development and legal expenditures. 2013 increased by 20% related to increased air service development costs assisting promotion of newly started direct flights by legacy air carriers and legal expenses related to litigation with the FAA and TSA on contract towers and exit lane staffing.

Depreciation charges of $18.2 million were recorded in 2014 after $16.8 million was recorded in 2013, increases of 8% and 12.0% respectively. These increases relate to the infrastructure and equipment additions in 2014, 2013, and 2012 that replaced aging assets.

Nonoperating interest expense decreased 16% in 2014 and 14% in 2013 and is directly related to the reduction in the outstanding balances of long-term debt. Other grant expense increased by 26% in 2014 and decreased by 34% in 2013 primarily due to the activity in law enforcement officer (LEO) expenses related to a variety of LEO type grants. Expenditures in each year are offset by grant revenue.

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

Other financial considerations

The Spokane Airport currently maintains A+ Standard & Poor's, A+ Fitch, and A-2 Moody's ratings. Moody's Ratings was the only agency to modify its rating from the prior year. SIA has a total debt burden at $11.74 per enplaned passenger that is lower than many similar sized airports. The Airport has covenants to maintain a bond debt service coverage ratio of not less than 1.3, which it has successfully maintained.

The basic financial structure of the Airport facilities has been very consistent over the past 30 years, with the residual based budget that has been in effect since 1984. The airline operating agreements and leases were extended through negotiations with air carriers in their current form until December 31, 2015. Discussions with air carriers serving Spokane on renewal or modification of the existing agreement began in 2014 and are ongoing through early 2015.

The increase in total net position, the sufficient liquidity, the low interest rates and the declining balances of long term debt, the strong debt service coverage and low debt burden per passenger affirm the continuing strong financial condition of the Airport. The prior year declines in the enplanements appear to have reversed in the short term. Effects of passenger activity affecting financial condition tend to be minimized locally with sound financial operations, a relatively low cost structure, and careful approach to financing capital needs out of general airport funds.

IMPACTS ON THE FUTURE

The Airport finances construction projects at the facilities through a combination of revenue bonds, entitlement, and discretionary grants received from the FAA, state grants, PFC's and funds from general airport operations. Congress last passed legislation in 2012 to fund the operation of the FAA. With the current FAA authorization set to expire at the end of September 2015, passing a new funding bill with the framework of the future of US aviation is a top priority of the Airport. Issues affecting the Airport include the FAA rulemaking process, protecting AIP funding, language regarding funding of the Contract Tower Program as well as modernization of the PFC program. Proposals calling for an increase to the PFC cap from $4.50 to $8.50 are of particular interest.

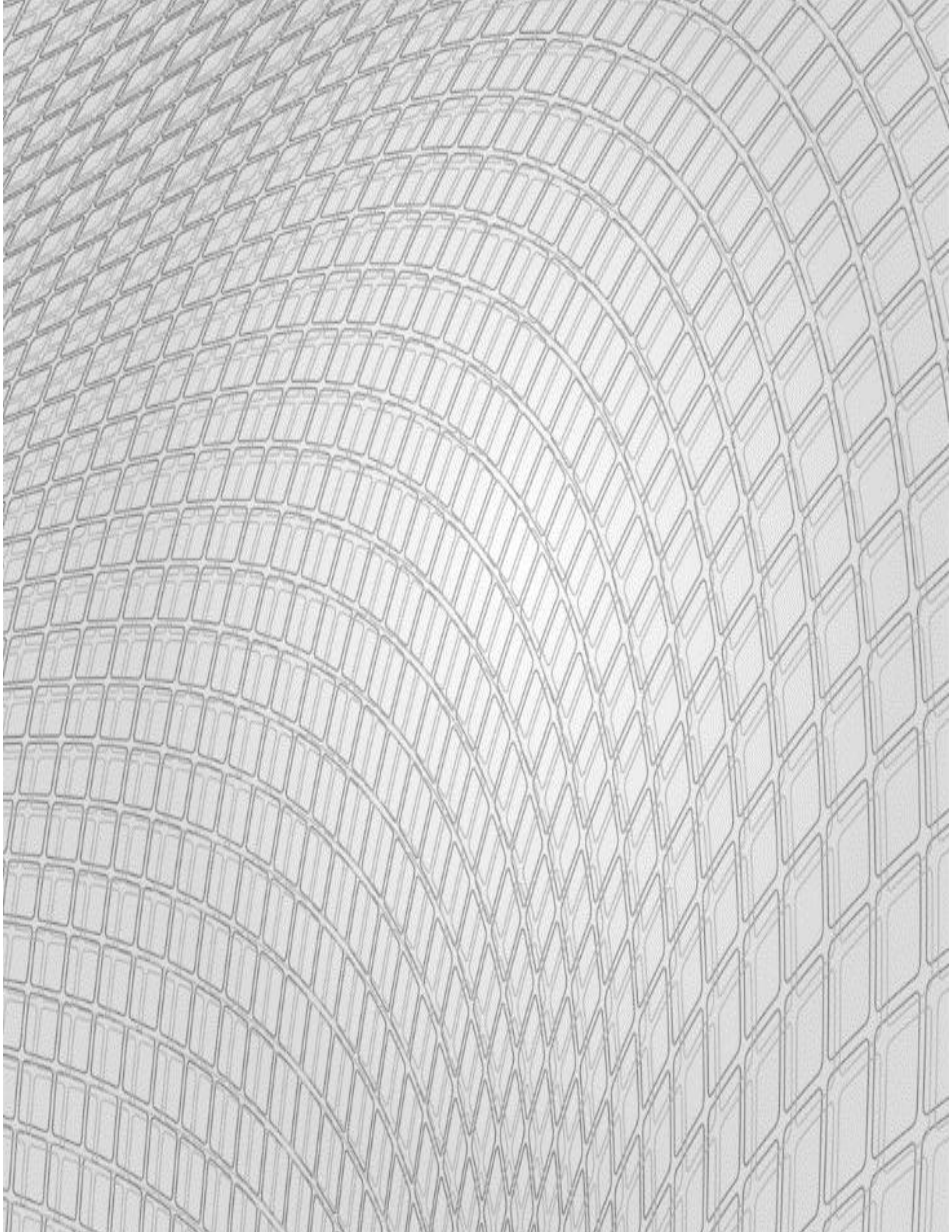
At the end of 2014, only one PFC project underway is still under collection authority at the $4.50 level. A new application, the tenth submitted by the Airport, was approved by the FAA early in 2015 for an additional $15 million authorization. The projects in that approved application focus primarily on security and capacity enhancements.

The newly completed comprehensive Master Plan will shape the capital projects in the near and medium term. Major projects in the Master Plan are included in the on-going discussions regarding a modernized Airline Use Agreement. The impacts to cash flow of the Airport along with the air carriers will be analyzed carefully through 2015.

Concentration on development of new business opportunities by improving infrastructure and marketing efforts continue to be the focus at the Airport Business Park.

Taxiways and ramp areas at Felts Field will be completely overhauled by the end of 2015. The Taxi lanes at the east end of the field are scheduled for renovation in 2016 taking advantage of FAA grant funding to the greatest degree possible. With the improvements made by the Airport, tenants at Felts Field are renewing commitments to improve their buildings.

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



SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

ASSETS

	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Unrestricted Current Assets		
Cash	$ 131,219	$ 101,750
Unrestricted cash and short-term investments	30,090,183	30,155,824
Accounts receivable, less allowance for doubtful accounts of 2014 $16,328; 2013 $16,604	1,059,592	1,152,214
Prepaid expenses and other assets	577,927	474,660
Inventory	157,178	181,122
Total Unrestricted Current Assets	32,016,099	32,065,570
Restricted Current Assets		
Current portion, restricted cash and short-term investments	4,092,813	5,947,805
Receivable from government agencies	6,851,785	7,495,371
Total Restricted Current Assets	10,944,598	13,443,176
Total Current Assets	42,960,697	45,508,746
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Land	19,696,904	17,990,165
Construction in process	20,038,441	10,905,606
Depreciable capital assets, net of accumulated depreciation	231,798,597	231,059,690
Total Unrestricted Noncurrent Assets	271,533,942	259,955,461
Restricted Noncurrent Assets		
Restricted investments, less current portion	6,466,560	8,413,356
Total Restricted Noncurrent Assets	6,466,560	8,413,356
Total Noncurrent Assets	278,000,502	268,368,817
TOTAL ASSETS	$ 320,961,199	$ 313,877,563

SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

LIABILITIES AND NET POSITION

	December 31, 2014	December 31, 2013
CURRENT LIABILITIES		
Liabilities Payable from Unrestricted Assets		
Construction warrants payable	$ 1,616,905	$ 3,854,130
Vouchers payable and other accrued expenses	2,434,577	4,814,152
Accrued payroll	611,114	630,140
Compensated absences - current portion	145,151	156,920
Total Unrestricted Current Liabilities	4,807,747	9,455,342
Liabilities Payable from Restricted Assets		
Construction warrants payable	445,018	70,129
Accrued interest payable	109,709	170,403
Long-term debt due within one year	3,302,023	3,094,574
Total Restricted Current Liabilities	3,856,750	3,335,106
Total Current Liabilities	8,664,497	12,790,448
NONCURRENT LIABILITIES		
Deposits	324,286	321,082
Compensated absences	1,063,113	1,033,561
Accrued environmental liabilities	4,004,703	3,866,037
Accrued postretirement benefits	3,917,226	4,127,844
Long-term debt, due in more than one year	14,390,997	17,695,857
Total Noncurrent Liabilities	23,700,325	27,044,381
TOTAL LIABILITIES	32,364,822	39,834,829
NET POSITION		
Net Investment in capital assets	253,547,618	237,963,305
Restricted for:		
Debt service	6,136,815	7,238,553
Passenger Facility Charge	2,295,666	519,379
Customer Facility Charge	1,532,804	3,972,413
Cash restricted for retainages and deposits	594,088	2,630,816
Total Restricted Net Assets	10,559,373	14,361,161
Unrestricted	24,489,386	21,718,268
TOTAL NET POSITION	$ 288,596,377	$ 274,042,734

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

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating revenues:		
Airfield	$ 3,967,783	$ 4,330,579
Passenger terminal	10,971,883	10,484,004
Leased buildings	2,243,089	2,273,517
Leased areas	1,916,875	1,848,795
Parking	8,617,186	8,380,053
Other	119,581	152,856
Total Operating Revenue	27,836,397	27,469,804
Operating expenses:		
Airfield:		
General	5,567,307	5,173,083
Fire department	1,937,719	2,101,550
Police department	1,703,041	1,677,719
Passenger terminal	4,380,790	4,343,695
Leased buildings	942,667	1,368,734
Parking	2,569,236	2,820,033
Administration and operations	4,631,919	4,774,382
Total Operating Expense	21,732,679	22,259,196
Operating income before depreciation	6,103,718	5,210,608
Depreciation	18,176,458	16,779,037
Operating income (loss)	(12,072,740)	(11,568,429)

See Accompanying Notes

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

	Year Ended December 31, 2014	2013
Nonoperating revenues (expenses):		
Interest income	$ 432,246	$ 423,440
Interest expense, including amortization of bond premiums	(491,735)	(582,921)
Gain (loss) on disposition of assets	89,315	213,000
Grant revenue	381,572	314,874
Grant expense	(373,773)	(295,652)
Transaction Fees	2,738,343	2,691,068
Passenger facility charges	5,721,871	5,650,426
Total Nonoperating revenue (expenses)	8,497,839	8,414,235
Decrease in net position before capital grants and related items	(3,574,901)	(3,154,194)
Capital contributions		
Other	47,000	-
Federal AIP and other federal grants	18,081,544	10,476,583
	18,128,544	10,476,583
Increase in Net Position	14,553,643	7,322,389
Net Position, beginning of year, as adjusted	274,042,734	266,720,345
Net Position, end of year	$ 288,596,377	$ 274,042,734

SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS

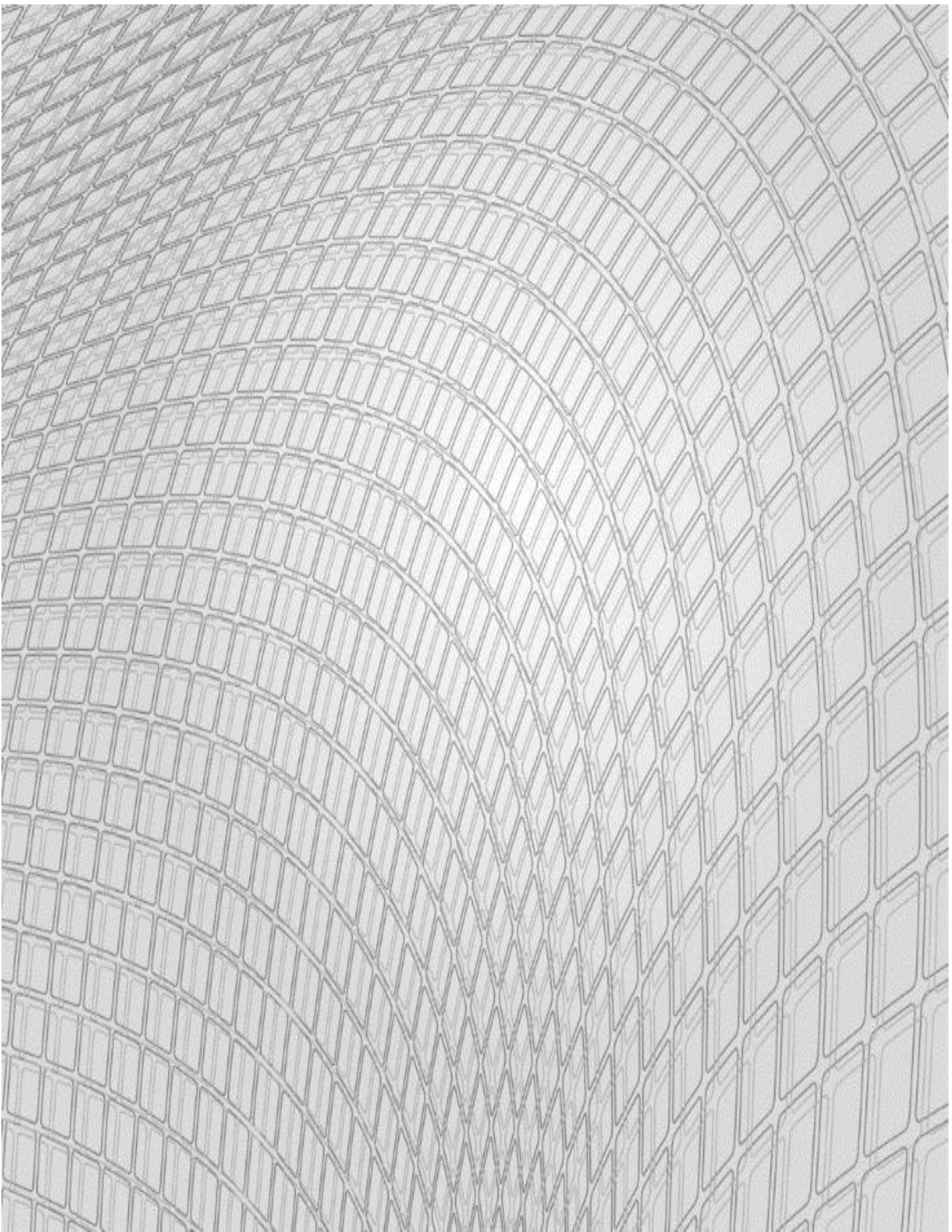
	Year Ended December 31, 2014	Year Ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from airfield operations	$ 4,123,529	$ 4,320,004
Cash received from passenger terminal	10,971,883	10,484,004
Cash received from building leases	2,245,404	1,770,091
Cash received from area leases	1,916,875	1,848,795
Cash received from parking	8,617,186	8,380,053
Other operating cash received	119,581	152,856
Cash paid for airfield operations	(5,438,327)	(5,401,205)
Cash paid to airfield employees	(3,833,997)	(3,160,192)
Cash paid for passenger terminal	(3,680,646)	(3,474,188)
Cash paid to passenger terminal employees	(770,094)	(793,497)
Cash paid for leased building operations	(942,667)	(1,368,734)
Cash paid for parking operations	(1,765,703)	(2,050,454)
Cash paid to parking operations employees	(834,015)	(695,756)
Cash paid for administration and operations	(5,578,076)	(1,589,777)
Cash paid to administration and operations employees	(1,421,247)	(1,349,512)
Net cash provided by operating activities	3,729,686	7,072,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	393,821	304,147
Operating grant expenses	(373,773)	(295,652)
Net cash provided by noncapital financing activities	20,048	8,495
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state grant proceeds	18,759,883	5,100,853
Acquisition and construction of capital assets	(33,232,569)	(21,749,781)
Principal payments on debt	(3,097,411)	(2,993,712)
Proceeds from sale of capital assets	1,704,608	280,000
Interest paid on debt	(552,429)	(595,778)
Transaction fees collected	2,738,343	2,691,068
Passenger facility charges collected	5,661,767	5,598,605
Net cash provided (used) by capital and related financing activities	(8,017,808)	(11,668,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	430,114	431,345
Net cash provided by investing activities	430,114	431,345
NET CHANGE IN CASH	(3,837,960)	(4,156,417)
Cash, beginning of year	44,618,735	48,775,152
Cash, end of year	$ 40,780,775	$ 44,618,735

SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS

	Year Ended December 31, 2014	2013
OPERATING INCOME (LOSS)	$ (12,072,740)	$ (11,568,429)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	18,176,458	16,779,037
Changes in assets and liabilities:		
Accounts receivable	154,858	(2,147)
Prepaid expenses and other assets	(103,267)	54,819
Inventory	23,944	8,685
Vouchers payable and other accrued expenses	(2,379,575)	1,742,195
Accrued payroll	(19,026)	28,567
Accrued vacation and sick pay	17,783	130,199
Other	(68,748)	(100,438)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,729,686	$ 7,072,488
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
NONCASH CAPITAL ACTIVITIES		
Donation of Capital Assets	$ 47,000	$ -
Acquisition of construction and capital assets, recorded but not paid at year end	2,061,923	3,924,259
TOTAL NONCASH ITEMS	$ 2,108,923	$ 3,924,259
RECONCILIATION OF CASH		
Cash	$ 131,219	$ 101,750
Unrestricted short-term cash investments	30,090,183	30,155,824
Restricted cash and short-term investments, current and noncurrent	10,559,373	14,361,161
CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS	$ 40,780,775	$ 44,618,735

Noncash investing, capital, and financing activities:

On August 1, 2014 a building previously owned by a tenant reverted to the Airport. The building was valued at $47,000.



NOTES TO THE FINANCIAL SECTION

Note 1 - Significant Accounting Policies

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

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

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

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

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

In proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Revenues from airlines, concessions, rental cars, and parking are reported

Note 1 - Significant Accounting Policies (Continued)

as operating revenues. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as interest expense and revenue as they relate to and financing and/or investing related transactions, transaction fee and passenger facility charges. Nonexchange transactions are transactions where the Airport receives cash and other financial and capital resources without directly giving equal value in return. The Airport's primary source of nonexchange revenue relates to grants. Grant revenue is recognized at the time eligible program expenditures occur and/or the Airport has complied with the grant requirements.

Reclassifications:
Certain reclassifications have been made to the 2013 statements in order to conform to the 2014 presentation.

Use of estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record environmental reserves, litigated and non-litigated loss contingencies, allowance for doubtful accounts, and other post-employment benefits. Actual results could differ from those estimates.

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

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Concentration of operating revenue:
The operation of the Airport is dependent upon the utilization of their facilities by air carriers and major airlines. Airlines have signed operating agreements (Note 10) with the Airport for terminal rentals and landing fees and for the maintenance of net revenues in accordance with bond covenants (see Note 6). Revenues from signature airlines amounted to approximately 32% and

33% of operating revenue for the years ended December 31, 2014 and 2013, respectively. Rental car revenue approximated 27% and 26% of operating revenue for the years ended December 31, 2014 and 2013, respectively. Parking garage revenues for the years ended December 31, 2014 and 2013 approximated 31% and 31% of total operating revenue, respectively.

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

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

Passenger facility charges:
The Airport has received approval from the FAA to impose a passenger facility charge (PFC) for each passenger who utilizes SIA of up to $4.50 from April 1, 2003, through November 1, 2015. The charge is collected by all carriers and remitted to the Airport, less a $0.11 per passenger handling fee. The proceeds from the PFC are restricted to use by the Airport for certain FAA approved capital improvement projects. Cumulative PFC revenue in the amount of $120,692,608 has been approved for collection and $120,692,608 has been approved for use, of which $120,603,186 has been received through December 31, 2014.

At December 31, 2014, Spokane International Airport had total cumulative expenditures of $118,307,520. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

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

Beginning in October of 2012 an additional $.75 per day transaction fee was added to fund capital improvements needed. Transaction fee revenues received from the rental car companies are recorded as non-operating income in the statement of revenues, expenses, and changes in net assets. Transaction fee revenue totaled $2,738,343 and $2,691,068 for 2014 and 2013, respectively.

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Due to the brief length of time short-term (three months or less) cash investments are held, market value approximates cost.

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

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

Capital assets:
Capital assets with an acquisition cost in excess of $5,000 at the acquisition date and having an expected useful life of one or more years are capitalized and depreciated. Repair and maintenance costs are expensed as incurred. Replacements and major improvements of capital assets are capitalized at cost.

The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Land is not considered a depreciable asset. The Statement of Revenues, Expenses, and Changes in Net Position include depreciation of all depreciable property, facility, and equipment and total gains or losses upon the disposal thereof.

Note 1 - Significant Accounting Policies (Continued)

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

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

Capitalization of interest costs:
Interest costs associated with assets requiring a period of time to construct and place in service are capitalized. Other interest costs are charged to operations as incurred. No interest costs were capitalized during 2014 and 2013.

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

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

Employees that were hired before August 1, 2008 may accrue up to 400 hours of vacation time. Unused sick leave is paid out to an employee or the employee's estate only when separation is due to death or retirement. Sick leave payout for all employees, except firefighters, is equal to 50% of the amount accumulated, up to a maximum of 1040 hours. Effective January 1, 2011, the sick leave payout for firefighters is equal to 90% of the amount accumulated, up to a maximum of 57 shifts (1,231.2 hours). Compensated absences are accrued when earned and are reported as a liability.

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

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

Note 1 - Significant Accounting Policies (Continued)

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

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

Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Capital and noncapital grants, interest expense and revenue as they relate to financing and/or investing related transactions, transaction fee and passenger facility charges are reported as non-operating revenues/expenses. All other expenses related to operating the Airport are reported as operating expenses.

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

Recently Adopted Accounting Standards:

GASB Statement No. 65 (GASB 65) – *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of the Statement improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement were effective for financial statements for periods beginning after December 15, 2012 and were adopted by the Airport effective January 1, 2013.

Accounting Standards Issued But Not Yet Adopted:
GASB Statement No. 68 (GASB 68) - *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* was issued in June 2012. This Statement establishes financial reporting standards for state and local governmental pension plans, defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements in which:

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

Note 1 - Significant Accounting Policies (Continued)

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

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined pension plans, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employer service. Note disclosure and required supplementary information requirements about pensions are also addressed.

GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The provisions of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The Airport is currently evaluating the impact of GASB 68 on its financial statements.

Note 2 - Cash, Cash Equivalents and Investments

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

Primarily due to the weakening financial conditions of a number of banks in Washington and in an effort to further protect public deposits from loss, the Public Deposit Protection Commission, on February 18, 2009, passed Resolution 2009-1. The resolution required banks to fully collateralize all uninsured public deposits by June 30, 2009, if they wish to continue as a public

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

depository. In the event that a public depository did not elect to continue, it must disgorge all public funds in an orderly and businesslike manner.

In 2010, the PDPC adopted Resolution 2010-1 requiring all public depositaries to take measured and orderly steps to shift their public depositors' funds from accounts insured through the FDIC Transaction Account Guarantee (TAG) Program to other insured or collateralized accounts. Per the PDPC's December 2013 report to the Washington State Legislature, as of the end of December 2014, 100% percent of the $6 billion in public deposits was fully collateralized.

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

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

At December 31, 2014 and 2013, the Airport's fair value of the position in the pool approximated the same as the value of the pool shares.

Amounts are classified on the statement of net position as follows:

	2014	2013
Cash	$ 131,219	$ 101,750
Unrestricted short-term investments	30,090,183	30,155,824
Restricted short-term investments, current portion	4,092,813	5,947,805
Restricted short-term investments, noncurrent	6,466,560	8,413,356
TOTAL	$ 40,780,775	$ 44,618,735

As of December 31, 2014 and 2013, the Spokane Airport has the following cash and investments:

	2014	2013
Petty Cash	$ 6,660	$ 6,660
Cash in bank (including Contract Retainage of $0 in 2014, and $927,326 in 2013)	124,559	1,022,416
Funds invested in the Spokane County Investment Pool	40,649,556	43,589,659
TOTAL	$ 40,780,775	$ 44,618,735

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

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

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

The Airport has no formal policy addressing interest rate risk. The majority of the Airport's funds are invested in the Spokane County Investment Pool. The average length of maturity of the investments of the Pool was 230 and 253 days at December 31, 2014 and 2013, respectively.

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

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

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

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

	2014	2013
Fannie Mae	14%	21%
Freddie Mac	20%	14%
LGIP (State)	7%	7%
LGIP	10%	19%
FHL	23%	11%
Farm Credit Bank	4%	3%

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

The following is a table, by percentage of investment security types, of the Spokane County Investment Pool as of December 31, 2014 and 2013:

	2014	2013
Washington State Local Government Investment Pool	17%	26%
Federal agency securities	61%	48%
Miscellaneous investments	21%	26%
	100%	100%

Cash balances:

The carrying value of the Airport's deposits with financial institutions as of December 31, 2014 and 2013, were $124,599 and $1,022,416 and the bank balances were $1,022,416 and $1,710,566. The bank balance is categorized as follows:

	2014	2013
Amount insured by FDIC	$ 124,559	$ 250,000
Collateralized by pledged securities under Washington's Public Deposit Protection Commission pool	-	772,416
	$ 124,559	$ 1,022,416

Restricted cash and term investments:

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

	2014	2013
Funds restricted for the retirement of the 2005 Revenue Bonds	$ 481,654	$ 482,807
Funds restricted for the retirement of the 2008 Revenue Bonds	4,155,976	4,158,625
Funds restricted for the retirement of the 2010 Revenue Bonds	1,056,379	2,113,416
Funds restricted for the retirement of the CERB Loans	442,806	483,705
Collected passenger facility charges, restricted for approved projects	2,295,666	519,379
Collected transaction fee, restricted for approved projects	1,532,804	3,972,413
Funds designated for retainages in escrow (cash in bank)	293,304	1,201,725
Refurbishment and fuel deposits	300,784	300,680
Seized drug funds & grants	-	1,128,411
Total Restricted Cash and Short-Term Investments	$ 10,559,373	$ 14,361,161

Note 3 - Receivable from Government Agencies

The Airport has received grants for airport construction, improvements, and land acquisition, from the Federal Airport Improvement Program (AIP) and other state and federal grants. Contributions for construction, land acquisition, and operational grants were $18,455,317 in 2014 and $10,791,457 in 2013. Amounts are recorded on the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue, and capital contributions.
The following is a summary of the activity in government receivables for the years ended December 31:

	2014	2013
Government receivable, beginning of year	$ 7,495,371	$ 2,108,914
Funds expended	18,455,317	10,772,235
	25,950,688	12,881,149
Less cash received	(19,098,903)	(5,385,778)
Government receivable, end of year	$ 6,851,785	$ 7,495,371

Note 4 – Inventory

At the end of 2014 and 2013, the Airport had a remaining supply of de-icing material, which was recorded as inventory using the FIFO accounting method. Inventory on December 31, 2014 and 2013, was $157,178 and $181,122, respectively.

Note 5 - Change in Capital Assets

A summary of changes in capital assets for the years ended December 31, 2014 and 2013 is as follows:

	Beginning Balance January 1, 2014	Additions	Deletions	Transfers	Ending Balance December 31, 2014
Nondepreciable Assets					
Land	$ 17,990,165	$ 163,200	$ (724,812)	$ 2,268,351	$ 19,696,904
Construction in progress	10,905,606	28,903,259	-	(19,770,424)	20,038,441
Total Nondepreciable Assets	28,895,771	29,066,459	(724,812)	(17,502,073)	39,735,345
Depreciable Assets					
Land improvements	174,454,228	628,546	(2,967,637)	15,607,567	187,722,704
Buildings	164,899,049	52,000	(890,481)	1,253,374	165,313,942
Equipment	46,950,228	1,623,227	(194,646)	641,132	49,019,941
Water and sewer facilities	1,397,815	1	-		1,397,816
Total Depreciable Assets	387,701,320	2,303,774	(4,052,764)	17,502,073	403,454,403
Less accumulated depreciation for:					
Land improvements	60,969,354	8,726,277	(2,967,637)	-	66,727,994
Buildings	70,881,258	5,570,955	-	-	76,452,213
Equipment	24,121,763	3,837,065	(194,646)	-	27,764,182
Water and sewer facilities	669,255	42,162	-	-	711,417
Total Accumulated Depreciation	156,641,630	18,176,459	(3,162,283)	-	171,655,806
Total Depreciable Capital Assets - net	231,059,690	(15,872,685)	(890,481)	17,502,073	231,798,597
Total Capital Assets - net	$ 259,955,461	$ 13,193,774	$ (1,615,293)	$ -	$ 271,533,942

Note 5 - Change in Capital Assets (Continued)

	Beginning Balance January 1, 2013	Additions	Deletions	Transfers	Ending Balance December 31, 2013
Nondepreciable Assets					
Land	$ 16,228,980	$ -	$ -	$ 1,761,185	$ 17,990,165
Construction in progress	13,276,235	19,369,289	(42,794)	(21,697,124)	10,905,606
Total Nondepreciable Assets	29,505,215	19,369,289	(42,794)	(19,935,939)	28,895,771
Depreciable					
Land improvements	170,294,173	232,497	-	3,927,558	174,454,228
Buildings	155,116,384	-	(187,706)	9,970,371	164,899,049
Equipment	39,198,998	1,713,220	-	6,038,010	46,950,228
Water and sewer facilities	1,397,815	-	-	-	1,397,815
Total Depreciable Assets	366,007,370	1,945,717	(187,706)	19,935,939	387,701,320
Less accumulated depreciation for:					
Land improvements	52,534,601	8,434,753	-	-	60,969,354
Buildings	65,717,476	5,284,488	(120,706)	-	70,881,258
Equipment	21,104,202	3,017,561	-	-	24,121,763
Water and sewer facilities	627,020	42,235	-	-	669,255
Total Accumulated Depreciation	139,983,299	16,779,037	(120,706)	-	156,641,630
Total Depreciable Capital Assets - net	226,024,071	(14,833,320)	(67,000)	19,935,939	231,059,690
Total Capital Assets - net	$ 255,529,286	$ 4,535,969	$ (109,794)	$ -	$ 259,955,461

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

Note 6 - Long-Term Debt

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

	2014			2013
	Due Within One Year	Due After One Year	Total	Total
Revenues Bonds series 2005, due in installments of increasing amounts through December 1, 2024, interest payable semi-annually at rates of 3.23% to 6.02%. The proceeds of the bond were utilized to finance the construction of the Business Park building 1200. Original principal amount $2,620,000.	$ 125,000	$ 1,495,000	1,620,000	$ 1,740,000
Less unamortized bond discount.	-	-	-	-
	$ 125,000	$ 1,495,000	$ 1,620,000	$ 1,740,000
Revenues Bonds series 2008, due in installments of increasing amounts through October 1, 2018, interest payable semi-annually at rates of 3.25% to 4.50%. The proceeds of the bond were utilized to finance the construction of the Rental Car Facilities and parking project. Original principal amount $18,875,000.	$ 1,885,000	$ 6,140,000	$ 8,025,000	$ 9,840,000
Add unamortized bond premium.	45,785	99,200	144,985	190,770
	$ 1,930,785	$ 6,239,200	$ 8,169,985	$10,030,770
Revenue Bonds series 2010, due in installments of increasing amounts through October 1, 2015, interest payable semi-annually at rates of 2.0% to 2.50%. The proceeds of the bond were utilized to refund Revenue Bond series 2000. Original principal amount $4,930,000.	$ 1,030,000	$ -	$ 1,030,000	$ 2,040,000
Add unamortized bond premium.	12,521	$ -	12,521	29,215
	$ 1,042,521	$ -	$ 1,042,521	$ 2,069,215

Note 6 - Long-Term Debt (Continued)

	2014			2013
	Due Within One Year	Due After One Year	Total	Total
2005 CERB loan, due in installments of increasing amounts through January 1, 2026, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build a FBO maintenance hangar. Original principal amount $800,000.	$ 45,621	$ 532,963	$ 578,584	$ 623,751
2006 CERB loan, due in installments of increasing amounts through July 1, 2027, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build an avionics repair and maintenance hangar. Original principal amount $750,000.	$ 44,764	$ 537,166	$ 581,930	$ 626,695
2008 CERB loan, due in installments of increasing amounts beginning July 1, 2015, through July 1, 2029, interest is payable annually at a rate of .5%. Proceeds were used to refurbish a maintenance and repair facility. Original principal amount $1,700,000.	$ 113,333	$ 1,586,667	$ 1,700,000	$ 1,700,000
2010 CERB loan, due in installments of increasing amounts July 31, 2015, through July 31, 2030, interest is payable annually at a rate of 0%. Proceeds of the loan were used to build an aircraft maintenance and paint hangar facility. Original principal amount $4,000,000.	$ -	$ 4,000,000	$ 4,000,000	$ 4,000,000
Total Long-Term Debt	$ 3,302,023	$14,390,996	$17,693,020	$20,790,431

Note 6 - Long-Term Debt (Continued)

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

	Principal	Interest	Total
2015	$ 3,243,718	$ 476,789	$ 3,720,507
2016	2,549,174	367,206	2,916,380
2017	2,634,635	279,890	2,914,525
2018	2,735,100	178,812	2,913,912
2019	610,570	78,514	689,084
2020-2024	3,210,068	221,622	3,431,690
2025-2029	2,052,249	12,708	2,064,957
2030-2031	500,000	-	500,000
	$17,535,514	$ 1,615,541	$19,151,055

The 2008 and 2010 series bonds require a ratio of net revenue equal to 1.3 times the maximum annual debt service on all outstanding bonds. The 2005 series bonds require a ratio of net revenue equal to 1.25 times the maximum annual debt service on all outstanding bonds. The Airport was in compliance with these ratios for 2014 and 2013.

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

Pursuant to agreements executed with all airlines, landing fees are determined using a formula, which is based on, among other factors, the maintenance of the 1.3 and 1.25 ratio of net revenues to maximum annual debt service. The Airport is in compliance with this requirement.

Note 6 - Long-Term Debt (Continued)

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

	Balance at December 31, 2013	Increase	Decrease	Balance at December 31, 2014
Revenue bonds of 2005	$ 1,740,000	$ -	$ (120,000)	$ 1,620,000
Revenue bonds of 2008	9,840,000	-	(1,815,000)	8,025,000
Revenue bonds of 2010	2,040,000	-	(1,010,000)	1,030,000
2005 CERB loan payable	623,751	-	(45,167)	578,584
2006 CERB loan payable	626,695	-	(44,765)	581,930
2008 CERB loan payable	1,700,000	-	-	1,700,000
2010 CERB loan payable	4,000,000	-	-	4,000,000
Unamortized Premium	219,985	-	(62,479)	157,506
	$ 20,790,431	$ -	$ (3,097,411)	$ 17,693,020

	Balance at December 31, 2012	Increase	Decrease	Balance at December 31, 2013
Revenue bonds of 2005	$ 1,855,000	$ -	$ (115,000)	$ 1,740,000
Revenue bonds of 2008	11,590,000	-	(1,750,000)	9,840,000
Revenue bonds of 2010	3,020,000	-	(980,000)	2,040,000
2005 CERB loan payable	668,474	-	(44,723)	623,751
2006 CERB loan payable	668,206	-	(41,511)	626,695
2008 CERB loan payable	1,700,000	-	-	1,700,000
2010 CERB loan payable	4,000,000	-	-	4,000,000
Unamortized Premium	282,463	-	(62,478)	219,985
	$ 23,784,143	$ -	$ (2,993,712)	$ 20,790,431

Note 6 - Long-Term Debt (Continued)

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

	Balance at December 31, 2013	Increase	Decrease	Balance at December 31, 2014
Deposits	$ 321,082	$ 3,988	(784)	$ 324,286
Accrued environmental liabilities	3,866,037	138,666	-	4,004,703
Accrued postretirement benefits	4,127,844	-	(210,618)	3,917,226
Compensated absences	1,033,561	30,389	(837)	1,063,113
	$ 9,348,524	$ 173,043	$ (212,239)	$ 9,309,328

	Balance at December 31, 2012	Increase	Decrease	Balance at December 31, 2013
Deposits	$ 832,936	$ 273,940	$ (785,794)	$ 321,082
Accrued environmental liabilities	3,448,351	1,053,650	(635,964)	3,866,037
Accrued postretirement benefits	4,134,116	-	(6,272)	4,127,844
Compensated absences	943,423	130,199	(40,061)	1,033,561
	$ 9,358,826	$ 1,457,789	$ (1,468,091)	$ 9,348,524

The Airport has bonds secured by certain revenues. At December 31, 2013, pledged revenues are as follows:

Bond Issuances	Purpose	Revenue Stream	For the Year Ending December 31 of Final Payments	Future Pledged Revenue Outstanding	December 31, 2014, Revenues	For the Year Ended December 31, 2014, Debt Payments
2005	Construct improvements to Business Park	Net Revenues of the Business Park	2024	$ 2,191,812	$ 969,071	$ 220,541
2008	Construct Improvements to Rental Car & Parking Facilities	Customer Facility Charges & Net Revenues of the Airport	2018	8,895,950	10,258,180	2,224,138
2010	Refunding 2000 Construction Parking Facility	Net Revenues of the Airport & Felts Field	2015	1,055,750	6,354,174	1,058,475
	Total			$ 12,143,512	$ 17,581,425	$ 3,503,154

Note 6 - Long-Term Debt (Continued)

The total future revenues pledged as security on the bonds are $12,143,512, which consists of future principal and interest payments for the life of the bonds. The revenues securing the bonds are the customer facility charge and net revenues of the Airport. The present value of the future revenues pledged assuming a 3% interest rate is $10,559,850.

Note 7 - Operating Leases

The Airport entered into several operating leases for office and airfield maintenance equipment. Lease expenditures for the years ended December 31, 2014 and 2013, were $10,695 and $10,577, respectively.

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

Years ending December 31,	
2015	$ 23,933
2016	20,334
2017	2,549
Total	$ 46,816

Note 8 - Pension and Benefit Plans

Substantially all Spokane Airport Board's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description:

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Note 8 - Pension and Benefit Plans (Continued)

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment. PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Note 8 - Pension and Benefit Plans (Continued)

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Note 8 - Pension and Benefit Plans (Continued)

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of

Note 8 - Pension and Benefit Plans (Continued)

service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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

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

Funding Policy:

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Note 8 - Pension and Benefit Plans (Continued)

Both Spokane Airport Board and the employees made the required contributions. The Spokane Airport Board required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	$ 1,059	$ 345,834	$ 71,340
2013	5,700	298,083	72,933
2012	8,902	243,222	57,694

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

Plan Description:

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

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

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

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

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

Note 8 - Pension and Benefit Plans (Continued)

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

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

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

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less

Note 8 - Pension and Benefit Plans (Continued)

than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

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

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

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

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

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

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
Total	**29,640**

Note 8 - Pension and Benefit Plans (Continued)

Funding Policy

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

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

Both Spokane Airport Board and the employees made the required contributions. The Spokane Airport Board required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2014	$ -	123,274
2013	95	112,656
2012	111	110,560

Postretirement Health Care Plan

***Benefits Other than Pensions*:**
At the December 31, 2008, implementation date, the initial net other postemployment benefit (OPEB) obligation was established based on the cumulative effect if GASB No. 45 had been in

Note 8 - Pension and Benefit Plans (Continued)

effect for the previous five years. The most recent actuarial evaluation was performed on February 24, 2015.

Plan description:
The Airport sponsors a single employer defined benefit postretirement health care plan for certain qualifying firefighters. The plan is directed and defined by State of Washington Revised Code (RCW 41.26.150). Under the Airport's bargaining unit agreement with its firefighters, the Airport is required to provide medical insurance and full benefit coverage to its LEOFF 1 firefighters from the time of retirement until death. The Plan covers 15 previously retired members and one member who retired in 2013 but received a final paycheck in 2014. The Airport pays benefits on a pay-as-you-go basis. The accrued benefit liability is determined using the entry age normal cost method. During 2008, the Airport adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postretirement*

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

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

Funding status:
As of December 31, 2014 and 2013, using the Projected Units Credit Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $3,917,226 and $4,127,844 respectively, all of which was unfunded.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Compared to Covered Payroll
12/31/2012	-	$ 4,134,116	$ 4,134,116	0%	76,789	5383.7%
12/31/2013	-	4,127,844	4,127,444	0%	69,000	5982.3%
12/31/2014	-	3,917,226	3,917,226	0%	6,875	56977.8%

Note 8 - Pension and Benefit Plans – (Continued)

Annual OPEB cost and net OPEB obligation:

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

The Airport's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Years Ended December 31	Annual OPEB Costs	Employer Contributions	Percentage Contributed	Net OPEB Obligations
2012	430,660	183,956	43%	4,134,116
2013	159,818	166,090	104%	4,127,844
2014	(13,594)	197,024	-1449%	3,917,226

The following table shows the components of the Airport's annual OPEB cost for the year ended December 31, 2014 and 2013, the amount actually contributed to the Plan, and changes in the Airport's net OPEB obligation.

	LEOFF Plan 1 Members' Medical Service Plan	
	2014	2013
Annual required contribution	$ 4,011,054	$ 4,211,252
Interest on net OPEB obligation	103,196	82,682
Adjustment to annual required contribution	(4,127,844)	(4,134,116)
Annual OPEB costs	(13,594)	159,818
Contributions made	197,024	166,090
Increase (decrease) in net OPEB obligation	(210,618)	(6,272)
Net OPEB obligation beginning of year	4,127,844	4,134,116
Net OPEB obligation end of year	$ 3,917,226	$ 4,127,844

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

Note 8 - Pension and Benefit Plans – (Continued)

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

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

For the LEOFF Plan 1 Members' Medical Services Plan, the following assumptions were made in the use of the Projected Unit Credit Cost Method.

Retirement Age for Active Employees - no early retirement was assumed.
Mortality Rates - life expectancies were based on RP2000 Combined Healthy Unisex Mortality Table.
Medical Inflation Rate - the expected rate of medical inflation was 10% for 2014 and 2013.
Expenses – no assumption of asset expenses was made.
Turnover Rate – the T2 Turnover Table was used.
Disability Rates – none were assumed.
Actuarial Value of Assets – were valued the same as market value of assets.
Investment Rate of Return - a rate of 2.0% was used in 2014, for pre- and post-retirement, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The rates used for the 2013 and 2012 valuations were 2.5% and 2.0%, respectively.

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

Note 9 - Deferred Compensation

The Airport offers their employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to substantially all of the Airports' employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan were $239,263 and $230,224 for the years ended December 31, 2014 and 2013, respectively.

Note 9 - Deferred Compensation - (Continued)

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

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were approximately $2,201,337 and $2,431,230 at December 31, 2014 and 2013, respectively. In accordance with legislation described above, the assets and associated liability of the deferred compensation plan assets are not included in the Airport's statement of net position.

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

Note 10 - Rental Income under Operating Leases

The Airport leases substantially all terminal building space, as well as other space, to airlines and others. All leases have been treated as operating leases. The costs and related accumulated depreciation of property under leases is not practically determinable as to the segregation of the value of the assets associated with producing minimum rental income and the value of the assets associated with the entire facility. The majority of the Airport's leases relate only to portions of buildings and other spaces. During 2014 and 2013, the Airport recognized income of $15,131,847 and $13,679,547 respectively, as a result of these leases.

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

Years ending December 31,	
2015	$ 12,839,826
2016	7,529,893
2017	6,384,601
2018	1,874,882
2019	833,740
Thereafter	11,209,662
Total future minimum rental payments	$ 40,672,604

These amounts do not include fees, which may be received under certain leases involving car rentals and concessions based on gross receipts. Contingent fees amounted to $1,175,421 and $1,011,698 in 2014 and 2013, respectively.

Landing fees received under agreements with all airlines amounted to $3,244,491 and $3,559,238 in 2014 and 2013, respectively.

Note 11 - Related Party Leases

The Airport has non-cancelable operating land lease agreements with the City of Spokane, a related party. The Airport recognized income of $137,239 in 2014 and $136,755 in 2013 as a result of these land leases. Income and future minimum rental payments under these leases are included in amounts in Note 10. The Airport purchases various utilities and permits from the city. In 2014 and 2013 those amounts totaled $222,713 and $208,421 respectively.

The Airport has operating lease agreements with various entities within Spokane County, a related party. During 2014 and 2013, the Airport recognized income of $450,689 and $534,167 respectively, under these lease agreements. Income and future minimum rental payments under these leases are included in amounts in Note 10. The Airport purchases various services from the county. In 2014 and 2013 those amounts totaled $19,241 and $6,874 respectively.

The Airport has operating lease agreements with four agencies that have an affiliation with Board members. During 2014 and 2013, the Airport recognized income of $15,151 and $19,206, respectively, under these lease agreements. Income and future minimum rental payments under the lease agreements are included in amounts in Note 10.

The Airport purchases the majority of its electrical power from Avista Utilities. During 2014 and 2013 employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities $1,540,630 and $1,520,726 in 2014 and 2013 respectively.

Note 12 – Environmental Liability

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

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

The Airport has been identified by a state or federal agency as a responsible party (PLP) on a regulatory database, or has voluntarily implemented pollution remediation at a site. Areas the Airport has been identified as a PLP include a former burn pit, soil and/or groundwater remediation

Note 12 – Environmental Liability (Continued)

associated with underground storage tanks and leaking underground storage tanks, asbestos abatement, and groundwater remediation /bioremediation as it relates to contaminants.

The Airport has multiple test wells and has retained engineering firms to monitor surface water and groundwater quality to determine the environmental impact of current aircraft and runway deicing practices. Based on these studies and discussions with the Department of Ecology, in April 2010, the Airport submitted an application to Washington State Department of Ecology's Water Quality section for an Individual Storm Water Waste Discharge Permit. The permit application outlined the results of the data collected and various strategies for handling deicing chemicals. After further discussion with the Department of Ecology the Airport submitted a revised application for a temporary discharge permit, which was accepted on August 26, 2011. The purpose of the temporary permit is to provide additional time (up to five years) to collect, compile, and interpret data needed.

The Airport has estimated an environmental liability in the amount of $4,004,703 and $3,866,037 as of December 31, 2014 and 2013, respectively. The estimate of costs used to establish the liability was developed by using the expected cash flow technique. The liability is an estimate and is subject to changes resulting from price increases, changes in technology, or changes in applicable laws and regulations. At December 31, 2014, it was not known how much of these costs will be recovered from other parties, if any.

Note 13 - Contingencies and Commitments

Litigation:

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

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

Commitments:

During the fiscal year 2014, the Airport entered into construction and service related contracts totaling $3,912,134 with remaining commitments totaling $886,364 at December 31, 2014. Commitments remaining on previous years contracts at December 31, 2014 totaled $16,778,879.

Note 14 – Grants

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

Note 15 – Net Position

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

	2014	2013
Long-term assets		
Land	$ 19,696,904	$ 17,990,165
Construction in process	$ 20,038,441	10,905,606
Depreciable capital assets, net	$ 231,798,597	231,059,690
Total capital assets	$ 271,533,942	259,955,461
Less related liabilities		
Construction Retainage Payable	$ 293,304	1,201,725
Current portion of long-term debt	$ 3,302,023	3,094,574
Long-term debt	$ 14,390,997	17,695,857
Total liabilities	$ 17,986,324	21,992,156
INVESTED IN CAPITAL ASSETS	$ 253,547,618	$ 237,963,305

Restricted net position consist of the following:

	$ 2,014	2013
Passenger facility charge, investments, restricted for approved projects	$ 2,295,666	$ 519,379
Transaction fees	$ 1,532,804	3,972,413
Investments restricted for repayment on debt	$ 6,136,815	7,238,553
Cash restricted for retainages, deposits, and grants	$ 594,088	2,630,816
	$ 10,559,373	14,361,161
RESTRICTED NET POSITION	$ 10,559,373	$ 14,361,161

Note 16 - Risk Management

The Airport can be exposed to a variety of risks or losses related to torts (i.e. injuries to employees, passengers, damage to property, destruction, theft of assets, or natural disasters). The Airport has purchased commercial insurance for coverage of these risks. There have been no significant changes in coverage. There were no settlements in excess of insurance coverage in 2014 and in 2013.

Note 17 - Subsequent Events

Early in 2015, the Airport Board approved the following contracts:

Construction contracts	$2,972,544
Consulting contracts	849,602
Service contracts	664,628
Equipment purchases	1,097,214
Total Contracts	$5,583,988

On January 16, 2015 the Airport received notification that the Federal Aviation Administration had approved PFC application 10. The Application authorizes the Airport to impose a passenger facility charge (PFC) of $4.50 and to collect $15,036,120. The application also authorizes the Airport to spend $15,036,120 on seven approved projects.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS:

The following information is based on an actuarial report prepared on February 24, 2014 for the fiscal year ending December 31, 2014 and 2013.

Trend Information:

Other Postemployment Health Care Plan (LEOFF Plan 1)
Schedule of Trend Information

Fiscal Year Ended	Annual OPEB Costs	Actual Contribution	Contribution as % of OPEB Costs	Net OPEB Obligation
12/31/2012	$ 430,660	$ 183,956	42.71%	$ 4,134,116
12/31/2013	159,818	166,090	103.92%	4,127,844
12/31/2014	(13,594)	197,024	-1449.33%	3,917,226

Funding Progress:

Other Postemployment Health Care Plan (LEOFF Plan 1)
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Compared to Covered Payroll
12/31/2012	$ -	$ 4,134,116	$ 4,134,116	0%	76,789	5383.7%
12/31/2013	-	4,127,844	4,127,844	0%	69,000	5982.3%
12/31/2014	-	3,917,226	3,917,226	0%	6,875	56977.8%

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

OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued):

Employer Contributions:

Other Postemployment Health Care Plan (LEOFF Plan 1)
Schedule of Employer Contributions

Fiscal Year Ended	Actual Contribution	Annual Required Contribution	% of Actual to Required Contribution
12/31/2012	$ 183,956	$ 4,240,324	4.34%
12/31/2013	166,090	4,211,252	3.94%
12/31/2014	197,024	4,011,054	4.91%

Notes to RSI:

Actuarial assumptions:

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

Mortality Rates - life expectancies were based on RP2000 Combined Healthy Unisex Mortality Table.

Medical Inflation Rate - the expected rate of medical inflation was 10% for 2014 and 2013.

Expenses – no assumption of asset expenses was made.

Turnover Rate – the T2 Turnover Table was used.

Disability Rates – none were assumed.

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

Investment Rate of Return - a rate of 2.0% was used in 2014 for pre- and post-retirement, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The rates used for the 2013 and 2012 valuations were 2.5% and 2.0%, respectively.

***Participants*:**

Members – As of December 31, 2014 there were 16 retired members.

STATISTICAL SECTION

STATISICAL INFORMATION GROUPS

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

Fiscal Year Ended December 31

		2014		2013		2012
ASSETS						
CURRENT ASSETS						
Cash	$	131,219	$	101,750	$	73,726
Unrestricted short-term investments		30,090,183		30,155,824		36,218,144
Accounts receivable, less allowance for doubtful accounts		1,059,592		1,152,214		1,106,151
Prepaid expenses and other assets		735,105		655,782		719,288
Total Unrestricted Current Assets		32,016,099		32,065,570		38,117,309
Current portion, restricted short-term investments		4,092,813		5,947,805		5,116,300
Receivable from government agencies		6,851,785		7,495,371		2,108,914
Total Restricted Current Assets		10,944,598		13,443,176		7,225,214
Total Current Assets		42,960,697		45,508,746		45,342,523
NONCURRENT ASSETS						
Land		19,696,904		17,990,165		16,228,980
Construction in process		20,038,441		10,905,606		13,276,235
Depreciable capital assets, net of accumulated depreciation		231,798,597		231,059,690		226,024,071
Total Unrestricted Noncurrent Assets		271,533,942		259,955,461		255,529,286
Restricted investments, less current portion		6,466,560		8,413,356		7,366,982
Bond issuance cost		-		-		-
Total Restricted Noncurrent Assets		6,466,560		8,413,356		7,366,982
Total Noncurrent Assets		278,000,502		268,368,817		262,896,268
TOTAL ASSETS	$	320,961,199	$	313,877,563	$	308,238,791
LIABILITIES						
CURRENT LIABILITIES						
Construction warrants payable	$	1,616,905	$	3,854,130	$	3,229,056
Vouchers payable and other accrued expenses		3,045,691		5,444,292		3,673,530
Compensated absences - current portion		145,151		156,920		116,859
Total Unrestricted Current Liabilities		4,807,747		9,455,342		7,019,445
Construction warrants payable		445,018		70,129		1,172,772
Accrued interest payable		109,709		170,403		183,260
Long-term debt due within one year		3,302,023		3,094,574		2,993,712
Total Restricted Current Liabilities		3,856,750		3,335,106		4,349,744
Total Current Liabilities		8,664,497		12,790,448		11,369,189
NONCURRENT LIABILITIES						
Deposits		324,286		321,082		832,936
Compensated absences		1,063,113		1,033,561		943,423
Accrued environmental liabilities		4,004,703		3,866,037		3,448,351
Accrued postretirement benefits		3,917,226		4,127,844		4,134,116
Long-term debt, due in more than one year		14,390,997		17,695,857		20,790,431
Total Noncurrent Liabilities		23,700,325		27,044,381		30,149,257
TOTAL LIABILITIES		32,364,822		39,834,829		41,518,446
NET POSITION						
Net Investment in capital assets		253,547,618		237,963,305		229,895,863
Restricted		10,559,373		14,361,161		12,483,282
Unrestricted		24,489,386		21,718,268		24,341,200
Total Net Position	$	288,596,377	$	274,042,734	$	266,720,345

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

2011	2010	2009	2008	2007	2006	2005
$ 52,484	$ 55,782	$ 91,987	$ 85,978	$ 74,683	$ 48,296	$ 22,117
39,733,286	30,355,522	34,995,445	37,328,898	15,026,797	12,486,734	12,076,381
1,660,822	1,448,475	1,557,833	1,437,000	1,687,666	1,719,562	489,072
1,705,695	1,338,010	386,495	205,781	191,223	205,429	225,859
43,152,287	33,197,789	37,031,760	39,057,657	16,980,369	14,460,021	12,813,429
5,008,873	5,070,478	8,387,553	4,179,285	1,246,469	1,714,258	-
377,327	3,911,233	2,424,718	136,386	411,756	61,701	3,418,248
5,386,200	8,981,711	10,812,271	4,315,671	1,658,225	1,775,959	3,418,248
48,538,487	42,179,500	47,844,031	43,373,328	18,638,594	16,235,980	16,231,677
14,122,891	14,122,891	13,398,909	13,398,911	13,005,900	11,994,491	10,927,273
1,217,547	9,333,737	23,696,250	29,395,029	8,727,368	5,915,936	4,639,839
232,316,781	210,679,626	171,821,237	136,840,267	137,181,051	137,567,541	134,268,627
247,657,219	234,136,254	208,916,396	179,634,207	158,914,319	155,477,968	149,835,739
7,510,352	6,344,635	8,711,006	16,293,110	26,443,967	19,388,872	30,224,720
-	388,199	513,969	576,750	226,914	256,504	486,466
7,510,352	6,732,834	9,224,975	16,869,860	26,670,881	19,645,376	30,711,186
255,167,571	240,869,088	218,141,371	196,504,067	185,585,200	175,123,344	180,546,925
$ 303,706,058	$ 283,048,588	$ 265,985,402	$ 239,877,395	$ 204,223,794	$ 191,359,324	$ 196,778,602
$ 2,065,228	$ 3,142,176	$ 3,894,526	$ 1,733,322	$ -	$ -	$ -
1,859,323	2,151,303	1,049,561	1,407,250	1,722,447	1,065,396	1,101,926
81,702	41,706	39,727	47,136	489,001	433,972	504,438
4,006,253	5,335,185	4,983,814	3,187,708	2,211,448	1,499,368	1,606,364
1,403,085	1,513,177	2,237,526	1,226,695	1,246,469	1,714,258	1,639,647
197,553	211,809	284,428	309,026	150,566	156,763	257,362
2,943,360	2,822,014	3,416,510	3,253,431	1,613,089	1,511,322	4,264,588
4,543,998	4,547,000	5,938,464	4,789,152	3,010,124	3,382,343	6,161,597
8,550,251	9,882,185	10,922,278	7,976,860	5,221,572	4,881,711	7,767,961
934,396	861,836	767,792	621,901	353,503	317,744	398,183
785,692	631,831	551,663	460,201	-	-	-
4,094,130	4,379,275	4,271,500	4,369,043	4,148,355	4,157,955	4,169,936
3,887,412	3,039,809	2,941,955	2,794,009	2,547,693	2,505,531	2,433,788
23,784,143	26,457,516	26,582,981	28,294,376	13,104,767	13,929,764	24,586,086
33,485,773	35,370,267	35,115,891	36,539,530	20,154,318	20,910,994	31,587,993
42,036,024	45,252,452	46,038,169	44,516,390	25,375,890	25,792,705	39,355,954
217,956,169	205,244,923	179,430,874	151,578,723	144,423,377	140,293,386	119,831,884
12,519,225	11,415,113	14,861,034	16,330,126	26,443,967	19,388,872	30,224,720
31,194,640	21,136,100	25,655,325	27,452,156	7,980,560	5,884,361	7,366,044
$ 261,670,034	$ 237,796,136	$ 219,947,233	$ 195,361,005	$ 178,847,904	$ 165,566,619	$ 157,422,648

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

Fiscal Year Ended December 31

	2014	2013	2012
Operating revenues:			
Airfield	$ 3,967,783	$ 4,330,579	$ 4,715,829
Passenger terminal	10,971,883	10,484,004	10,452,201
Leased buildings	2,243,089	2,273,517	2,324,069
Leased areas	1,916,875	1,848,795	1,577,762
Parking	8,617,186	8,380,053	8,317,095
Other	119,581	152,856	99,065
Total Operating Revenue	27,836,397	27,469,804	27,486,021
Operating expenses:			
Airfield	9,208,067	8,952,352	8,041,863
Passenger terminal	4,380,790	4,343,695	3,962,181
Leased buildings	942,667	1,368,734	1,028,150
Parking	2,569,236	2,820,033	2,153,263
Administration and operations	4,631,919	4,774,382	3,993,964
Total Operating Expense	21,732,679	22,259,196	19,179,421
Operating income before depreciation	6,103,718	5,210,608	8,306,600
Depreciation	18,176,458	16,779,037	14,986,692
Operating income (loss)	(12,072,740)	(11,568,429)	(6,680,092)
Nonoperating revenues (expenses):			
Interest income	432,246	423,440	576,935
Interest expense, including amortization of bond premiums	(491,735)	(582,921)	(675,831)
Gain (loss) on disposition of assets	89,315	213,000	(23,709)
Grant revenue	381,572	314,874	482,895
Grant expense	(373,773)	(295,652)	(451,006)
Transaction fee	2,738,343	2,691,068	2,263,582
Passenger facility charges	5,721,871	5,650,426	5,763,073
Total Nonoperating revenue (expenses)	8,497,839	8,414,235	7,935,939
Increase in net assets before capital grants and related items	(3,574,901)	(3,154,194)	1,255,847
Capital contributions			
Federal AIP and other federal grants	18,081,544	10,476,583	3,294,464
State grants & other contributions	47,000	-	500,000
Total Capital Contributions	18,128,544	10,476,583	3,794,464
Increase In Net Assets	14,553,643	7,322,389	5,050,311
Net Position, beginning of year, as previously stated	274,042,734	266,720,345	261,670,034
Cumulative effect of adoption of GASB 65	-	-	-
Net position, beginning of year, as adjusted	274,042,734	266,720,345	261,670,034
Net position, end of year	$ 288,596,377	$ 274,042,734	$ 266,720,345

Source: Spokane Airport Finance Dept.

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

2011	2010	2009	2008	2007	2006	2005
$ 4,868,650	$ 4,815,980	$ 4,074,866	$ 4,295,377	$ 4,217,909	$ 3,899,715	$ 3,881,229
10,519,971	10,522,276	9,818,563	9,646,288	9,135,805	8,629,680	8,357,733
2,318,989	2,017,726	1,887,568	1,791,483	1,752,682	1,644,692	1,570,074
1,699,951	1,598,592	1,459,603	1,470,687	1,190,717	1,165,793	1,067,248
8,410,865	8,523,998	8,309,996	9,368,490	8,635,122	7,845,728	7,347,018
153,996	121,011	181,656	132,326	113,629	157,376	161,981
27,972,422	27,599,583	25,732,252	26,704,651	25,045,864	23,342,984	22,385,283
8,536,085	7,490,835	6,947,641	6,509,011	5,594,744	4,680,865	5,004,779
4,060,664	3,624,156	3,922,996	4,005,179	3,399,671	3,257,296	3,027,796
611,989	642,503	392,230	866,034	888,318	1,207,385	542,533
1,932,412	1,529,511	1,338,322	1,081,292	1,004,258	1,068,851	944,502
4,060,758	5,153,054	4,039,907	6,298,571	5,725,879	5,412,660	5,406,015
19,201,908	18,440,059	16,641,096	18,760,087	16,612,870	15,627,057	14,925,625
8,770,514	9,159,524	9,091,156	7,944,564	8,432,994	7,715,927	7,459,658
13,324,266	11,463,381	9,232,226	8,983,494	9,073,983	9,395,027	8,305,041
(4,553,752)	(2,303,857)	(141,070)	(1,038,930)	(640,989)	(1,679,100)	(845,383)
516,388	401,232	927,056	1,908,165	1,959,975	2,166,056	1,170,889
(763,536)	(1,244,145)	(1,316,724)	(1,083,722)	(790,878)	(1,426,687)	(1,523,922)
(957,231)	(2,078,903)	(10,150)	(58,058)	-	-	-
447,913	343,268	608,551	-	2,970,000	-	-
(426,424)	(343,268)	(608,551)	-	(2,970,000)	-	-
2,119,929	2,031,312	1,935,327	2,322,987	2,356,552	-	-
6,013,364	6,480,728	5,974,672	6,839,096	6,813,158	7,208,886	6,439,470
6,950,403	5,590,224	7,510,181	9,928,468	10,338,807	7,948,255	6,086,437
2,396,651	3,286,367	7,369,111	8,889,538	9,697,818	6,269,155	5,241,054
21,865,445	13,026,472	16,683,358	7,623,563	3,583,467	1,874,816	9,871,396
-	1,536,064	533,759	-	-	-	-
21,865,445	14,562,536	17,217,117	7,623,563	3,583,467	1,874,816	9,871,396
24,262,096	17,848,903	24,586,228	16,513,101	13,281,285	8,143,971	15,112,450
237,796,136						
(388,198)						
237,407,938	219,947,233	195,361,005	178,847,904	165,566,619	157,422,648	142,310,198
$ 261,670,034	$ 237,796,136	$ 219,947,233	$ 195,361,005	$ 178,847,904	$ 165,566,619	$ 157,422,648

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

Fiscal Year Ended December 31

	2014	2013	2012
	Spokane International Airport	Spokane International Airport	Spokane International Airport
Operating revenue:			
Airfield	$ 3,932,013	$ 4,297,210	$ 4,680,552
Passenger terminal	10,846,392	10,356,832	10,323,463
Leased buildings	831,173	790,627	731,372
Leased areas	1,343,875	1,277,621	1,076,628
Parking	8,617,186	8,380,053	8,317,095
Other	87,471	136,839	92,041
Total Operating Income	25,658,110	25,239,182	25,221,151
Operating expenses:			
Airfield	9,037,461	8,773,024	7,961,434
Passenger terminal	4,326,028	4,290,847	3,909,329
Leased buildings	421,634	316,013	601,263
Parking	2,569,236	2,820,033	2,153,263
Administration and operations	4,027,618	4,201,351	3,385,093
Total Operating Expenses	20,381,977	20,401,268	18,010,382
Operating income before depreciation	5,276,133	4,837,914	7,210,769
Depreciation	17,103,075	15,739,751	14,046,683
Operating income (loss)	(11,826,942)	(10,901,837)	(6,835,914)
Nonoperating income (expense):			
Other nonoperating income (expenses)	114,680	(60,158)	(116,776)
Transaction fee	2,738,343	2,691,068	2,263,582
Passenger facility charges	5,721,871	5,650,426	5,763,073
Total Nonoperating income (expense)	8,574,894	8,281,336	7,909,879
Increase in net assets before capital grants and related items	(3,252,048)	(2,620,501)	1,073,965
Capital contributions			
AIP and other federal grants	15,765,085	6,116,754	1,550,985
Other	-	-	500,000
State grants	-	-	-
Total Capital Contributions	15,765,085	6,116,754	2,050,985
INCREASE (DECREASE) IN NET POSITION	$ 12,513,037	$ 3,496,253	$ 3,124,950

Source: Spokane Airport Finance Dept.

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

2011	2010	2009	2008	2007	2006	2005
Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport
$ 4,828,015	$ 4,769,467	$ 4,052,470	$ 4,251,145	$ 4,159,201	$ 3,854,411	$ 3,832,275
10,345,751	10,327,173	9,517,920	9,366,965	8,878,503	8,322,170	8,117,511
729,172	593,182	539,443	544,081	523,871	448,950	410,419
1,241,546	1,022,766	948,406	990,943	780,680	798,385	693,136
8,410,865	8,523,998	8,309,996	9,368,490	8,635,122	7,845,728	7,347,018
153,996	109,724	169,408	130,699	110,676	155,757	161,323
25,709,345	25,346,310	23,537,643	24,652,323	23,088,053	21,425,401	20,561,682
8,355,216	7,175,460	6,586,512	5,983,456	5,301,221	4,422,289	4,735,425
3,956,630	3,550,715	3,730,980	3,846,642	3,214,283	3,082,572	2,870,787
208,547	356,690	136,579	490,518	418,787	770,104	177,306
1,932,412	1,529,511	1,338,322	1,081,292	1,004,258	1,068,851	944,502
3,503,278	4,740,545	3,648,729	5,888,267	5,295,178	4,995,316	5,020,947
17,956,083	17,352,921	15,441,122	17,290,176	15,233,727	14,339,132	13,748,967
7,753,262	7,993,389	8,096,521	7,362,147	7,854,326	7,086,269	6,812,715
12,358,452	10,652,847	8,317,873	8,208,185	8,397,849	8,730,504	7,633,575
(4,605,190)	(2,659,458)	(221,352)	(846,037)	(543,523)	(1,644,235)	(820,860)
(1,176,132)	(2,805,571)	(267,725)	3,717,725	(1,800,903)	702,166	(353,033)
2,119,929	2,031,312	1,935,327	2,322,987	2,356,552	-	-
6,013,364	6,480,728	5,974,672	6,839,096	6,813,158	7,208,886	6,439,470
6,957,161	5,706,469	7,642,274	12,879,808	7,368,807	7,911,052	6,086,437
2,351,971	3,047,011	7,420,922	12,033,771	6,825,284	6,266,817	5,265,577
21,704,726	12,620,922	16,169,758	7,108,436	3,333,467	1,874,816	9,871,396
-	270,929	-	-	2,970,000	-	-
-	78,391	533,759	-	-	-	-
21,704,726	12,970,242	16,703,517	7,108,436	6,303,467	1,874,816	9,871,396
$ 24,056,697	$ 16,017,253	$ 24,124,439	$ 19,142,207	$ 13,128,751	$ 8,141,633	$ 15,136,973

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

Fiscal Year Ended December 31

	2014	2013	2012
	Airport Business Park	Airport Business Park	Airport Business Park
Operating revenue:			
Airfield	$ -	$ -	$ -
Passenger terminal	-	-	-
Leased buildings	1,242,930	1,337,232	1,358,385
Leased areas	237,144	233,593	232,757
Parking	-	-	-
Other	17,972	15,807	10,111
Total Operating Income	1,498,046	1,586,632	1,601,253
Operating expenses:			
Airfield	-	-	-
Passenger terminal	-	-	-
Leased buildings	424,278	966,712	346,368
Parking	-	-	-
Administration and operations	239,377	250,968	269,499
Total Operating Expenses	663,655	1,217,680	615,867
Operating income before depreciation	834,391	368,952	985,386
Depreciation	424,463	421,069	452,050
Operating income (loss)	409,928	(52,117)	533,336
Nonoperating income (expense):			
Other nonoperating income (expenses)	(82,261)	(87,355)	8,831
Transaction fee	-	-	-
Passenger facility charges	-	-	-
Total Nonoperating income (expense)	(82,261)	(87,355)	8,831
Increase in net assets before capital grants and related items	327,667	(139,472)	542,167
Capital contributions			
Federal AIP grants	-	-	-
State grants	-	-	-
Total Capital Contributions	-	-	-
INCREASE (DECREASE) IN NET POSITION	$ 327,667	$ (139,472)	$ 542,167

Source: Spokane Airport Finance Dept.:

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

2011	2010	2009	2008	2007	2006
Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
1,372,183	1,327,862	1,248,585	1,158,052	1,127,881	1,105,114
195,124	190,189	277,818	245,255	204,668	180,527
-	-	-	-	-	-
-	17,310	9,502	1,575	2,953	1,619
1,567,307	1,535,361	1,535,905	1,404,882	1,335,502	1,287,260
102,799	124,814	136,796	343,742	188,889	126,704
48	(104)	59,958	78,532	82,152	80,689
269,286	206,239	171,383	297,367	325,716	320,886
-	-	-	-	-	-
271,551	264,317	233,812	267,211	308,323	248,026
643,684	595,266	601,949	986,852	905,080	776,305
923,623	940,095	933,956	418,030	430,422	510,955
486,735	363,105	545,935	434,388	318,354	300,908
436,888	576,990	388,021	(16,358)	112,068	210,047
(17,362)	(119,875)	(132,093)	(135,612)	-	37,203
-	-	-	-	-	-
-	-	-	-	-	-
(17,362)	(119,875)	(132,093)	(135,612)	-	37,203
419,526	457,115	255,928	(151,970)	112,068	247,250
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 419,526	$ 457,115	$ 255,928	$ (151,970)	$ 112,068	$ 247,250

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

Fiscal Year Ended December 31

	2014	2013	2012
	Felts Field Airport	Felts Field Airport	Felts Field Airport
Operating revenue:			
Airfield	$ 35,770	$ 33,369	$ 35,277
Passenger terminal	125,491	127,172	128,738
Leased buildings	168,986	145,658	234,312
Leased areas	335,856	337,581	268,377
Parking	-	-	-
Other	14,138	210	(3,087)
Total Operating Income	680,241	643,990	663,617
Operating expenses:			
Airfield	170,606	179,328	80,429
Passenger terminal	54,762	52,848	52,852
Leased buildings	96,755	86,009	80,519
Parking	-	-	-
Administration and operations	364,924	322,063	339,372
Total Operating Expenses	687,047	640,248	553,172
Operating income before depreciation	(6,806)	3,742	110,445
Depreciation	648,920	618,217	487,959
Operating income (loss)	(655,726)	(614,475)	(377,514)
Nonoperating income (expense):			
Other nonoperating income (expense)	5,206	220,254	17,229
Transaction fee	-	-	-
Passenger facility charges	-	-	-
Total Nonoperating income (expense)	5,206	220,254	17,229
Increase in net assets before capital grants and related items	(650,520)	(394,221)	(360,285)
Capital contributions			
AIP and other federal grants	2,316,459	4,359,829	1,743,479
Other	47,000	-	-
State	-	-	-
Total Capital Contributions	2,363,459	4,359,829	1,743,479
INCREASE (DECREASE) IN NET POSITION	$ 1,712,939	$ 3,965,608	$ 1,383,194

Source: Spokane Airport Finance Dept.

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

2011	2010	2009	2008	2007	2006	2005
Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport
$ 40,635	$ 46,513	$ 22,396	$ 44,232	$ 58,708	$ 45,304	$ 48,954
174,220	195,103	194,604	192,813	192,671	241,301	184,037
217,634	96,682	99,540	89,350	100,930	90,628	63,829
263,281	385,637	339,418	320,999	270,000	253,090	233,448
-	-	-	-	-	-	-
-	(6,023)	2,746	52	-	-	-
695,770	717,912	658,704	647,446	622,309	630,323	530,268
78,070	190,561	224,333	181,814	104,634	131,872	122,357
103,986	73,545	132,058	80,005	103,236	94,035	84,317
134,156	79,574	84,268	78,149	143,815	116,395	126,191
-	-	-	-	-	-	-
285,929	148,192	157,366	143,093	122,378	169,318	100,099
602,141	491,872	598,025	483,061	474,063	511,620	432,964
93,629	226,040	60,679	164,386	148,246	118,703	97,304
479,079	447,429	368,418	340,921	357,780	363,615	366,969
(385,450)	(221,389)	(307,739)	(176,535)	(209,534)	(244,912)	(269,665)
10,604	3,630	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,604	3,630	-	-	-	-	-
(374,846)	(217,759)	(307,739)	(176,535)	(209,534)	(244,912)	(269,665)
160,719	405,550	513,600	515,127	-	-	-
-	1,186,744	-	-	-	-	-
-	-	-	-	-	-	-
160,719	1,592,294	513,600	515,127	-	-	-
$ (214,127)	$ 1,374,535	$ 205,861	$ 338,592	$ (209,534)	$ (244,912)	$ (269,665)

SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE SOURCES

Fiscal Year Ended December 31

	2014	2013	2012	2011
Landing fees	$ 3,244,491	$ 3,559,238	$ 3,933,870	$ 3,969,729
Leased buildings and land	4,159,964	4,122,312	3,901,831	4,018,940
Rental cars	7,552,129	7,208,270	6,413,052	6,633,898
Parking lots	8,617,186	8,380,053	8,317,095	8,410,865
PFC	5,721,871	5,650,426	5,763,073	6,013,364
Transaction fee	2,738,343	2,691,068	2,263,582	2,119,929
Transaction/security fee	-	-	-	-
Interest revenue	432,246	423,440	576,935	516,388
Total	$ 32,466,230	$ 32,034,807	$ 31,169,438	$ 31,683,113

Source: Spokane Airport Finance Dept.

2010	2009	2008	2007	2006	2005
$ 4,024,944	$ 3,471,593	$ 3,428,228	$ 3,398,477	$ 3,191,727	$ 3,114,116
3,616,318	3,347,171	3,262,170	2,943,399	2,810,485	2,637,322
6,342,177	6,118,042	6,476,079	6,112,900	3,776,306	3,509,040
8,523,998	8,309,996	9,368,490	8,641,337	7,852,862	7,354,081
6,480,728	5,974,672	6,839,096	6,813,158	7,208,886	6,439,470
2,031,312	1,935,327	2,322,987	2,356,552	-	-
-	-	-	-	453,206	448,768
401,232	927,056	1,908,165	1,959,975	2,166,056	1,170,889
$ 31,420,709	$ 30,083,857	$ 33,605,215	$ 32,225,798	$ 27,459,528	$ 24,673,686

SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE PAYERS

Fiscal Year Ended December 31

	2014	2013	2012	2011
Airlines				
Alaska	$ 1,807,697	$ 719,372	$ 668,526	$ 562,394
US Airways	601,033	625,613	627,818	569,800
Delta	1,751,495	1,669,190	1,565,516	1,554,431
Frontier	353,739	354,415	548,971	491,614
Northwest		-	-	-
Southwest	1,687,789	1,821,016	1,952,076	2,149,286
United	868,638	868,563	933,089	842,011
Horizon	778,935	2,038,311	1,927,097	1,831,580
Skywest	-	-	30,733	44,103
Fed Ex	562,916	562,044	531,599	520,419
UPS	438,649	470,928	488,111	475,290
Total	8,850,891	9,129,452	9,273,536	9,040,928
Rental Cars				
Avis	1,069,628	1,026,070	1,052,031	1,014,621
Budget	873,780	868,038	905,528	832,744
Dollar	-	-	376,883	515,593
Enterprise	1,073,449	1,144,307	738,914	995,483
Hertz	1,762,453	1,715,856	1,705,194	1,469,630
National	1,515,865	1,271,840	910,691	1,216,155
Thrifty	1,256,954	1,182,159	723,811	589,672
Total	7,552,129	7,208,270	6,413,052	6,633,898
Parking	8,617,186	8,380,053	8,317,095	8,410,865
Total	$ 25,020,206	$ 24,717,775	$ 24,003,683	$ 24,085,691

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE PAYERS

2010	2009	2008	2007	2006	2005
$ 605,124	$ 663,586	$ 655,816	$ 689,513	$ 720,980	$ 780,782
659,434	450,639	412,491	389,421	164,148	444,659
1,273,941	260,857	227,681	180,244	132,138	213,437
428,817	270,844	217,674	174,504	187,804	169,678
14,134	511,978	487,557	462,988	500,127	520,593
2,220,698	1,767,548	1,694,062	1,641,858	1,600,262	1,489,308
1,174,456	692,920	763,678	714,279	720,047	699,119
1,880,897	1,414,506	1,371,750	1,383,071	1,245,103	1,237,191
2,055	516,717	357,581	404,654	411,521	404,572
402,933	307,746	293,555	306,187	338,577	351,089
470,151	421,738	400,358	365,459	367,917	369,237
9,132,640	7,279,079	6,882,203	6,712,178	6,388,624	6,679,665
935,431	940,039	975,586	1,043,889	688,273	651,437
783,691	956,974	992,640	998,673	644,875	554,960
528,080	496,416	581,564	495,908	282,353	231,887
836,623	739,739	892,117	778,980	389,686	345,944
1,466,030	1,309,490	1,411,182	1,292,296	904,318	823,354
1,212,578	1,081,109	1,018,338	903,136	527,222	519,148
579,744	594,275	604,652	600,018	339,579	382,310
6,342,177	6,118,042	6,476,079	6,112,900	3,776,306	3,509,040
8,523,998	8,309,996	9,368,490	8,641,337	7,852,862	7,354,081
$ 23,998,815	$ 21,707,117	$ 22,726,772	$ 21,466,415	$ 18,017,792	$ 17,542,786

Fiscal Year Ended December 31

	2014	2013	2012
Landing Fees (per each 1,000 lbs.)	1.52	1.73	1.79
Annual Terminal Rentals (per sq. ft.)			
Ticket Counter	48.96	46.46	44.16
Office	46.54	44.31	42.12
Baggage Area	46.54	44.31	42.12
Annual Cargo Building Rental (per sq. ft.)	8.88	8.38	7.97
Monthly Gate Parking	425.00	425.00	425.00
Monthly Jet Bridge	1,560.00	1,560.00	1,560.00

Source: Spokane International Airport Property Management

2011	2010	2009	2008	2007	2006	2005
1.73	1.73	1.50	1.32	1.28	1.28	1.28
44.16	44.16	38.35	36.35	34.95	34.95	34.95
42.12	42.12	36.67	34.76	33.42	33.42	33.42
42.12	42.12	36.67	25.28	24.31	24.31	24.31
7.97	7.97	6.93	6.57	6.32	6.32	6.32
425.00	425.00	369.88	350.60	333.90	333.90	333.90
1,560.00	1,560.00	1,356.22	1,285.52	1,224.30	1,224.30	1,224.30

SPOKANE AIRPORT BOARD
CAPITAL ASSETS AND OTHER AIRPORT INFORMATION

Airport Code:	GEG	
FAA Category:	Primary commercial service airport, small hub	
Elevation:	2,385 feet above sea level	
Port of Entry:	Federal Inspection Station, U.S. Customs and Border Protection Service for clearing international general aviation, corporate aircraft, and charter flight for entry into the United States.	
About the Airport:	Spokane International Airport is a 5,650 acre commercial service airport served by six airlines and two air cargo carriers. SIA is jointly owned by Spokane County and the City of Spokane, and is the second busiest airport in the State of Washington in terms of passenger and cargo service.	
About the Airport:	Felts Field is a 395 acre general reliever airport that is home to 160 based aircraft and approximately 50 tenants and 200 sub-tenants. The airport has a mix of commercial operators including a full-service Fixed Base Operator, avionic services provider, fixed and rotary wing aircraft flight schools, aircraft maintenance training programs, a significant regional medevac operator, a metals fabricator, and an aircraft power-plant modification firm with a global clientele.	
About the Business Park:	The Airport Business Park is adjacent to Spokane International Airport and has approximately 540 acres available for development across nine development categories. The Business Park is home to the region's post office sorting facility, warehousing, manufacturing, and shipping facilities.	
Location:	SIA is located in Spokane County, the largest metropolitan area in the region and in the eastern half of the state. SIA is located southwest of downtown Spokane and southeast of Airway Heights. Felts Field is located on the Spokane River with 6,000 feet of river frontage; it has the ability to accommodate water landings. Spokane's location with regard to other major cities is as follows: Seattle is 280 miles west; Portland is 344 miles to the southwest; Boise is 428 miles south; and Vancouver BC (Canada) is 409 miles northwest.	
Terminal:	The terminal building includes three concourse areas, (A, B, and C) with a combined total of 25 gates- 11 ground boarding and 14 with passenger boarding bridges (PBB). The consolidated rental car facility is located at the north end of the terminal building. Two parking structures are connected to the terminal by skywalks.	
Runways:	3-21 SIA	11,002 ft long, 150 ft wide
	7-25 SIA	8,199 ft long, 150 ft wide
	4L-22R Felts Field	4,499 ft long, 150 ft wide
	4R-22 Felts Field Left	2,650 ft long, 75 ft wide
Consolidated rental car facility:	Number of companies	8
	Quick turnaround facilities	20
Public parking lots:	Parking Garage	2,648 spaces
	Outside Lots	3,758 spaces
	Employee	989 spaces
Statistics:	Domestic/International Passengers	2.9 million passengers
	Cargo Operations	65.6 thousand tons
	Aircraft Operations	64,409
	General Aviation	54,881

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
NUMBER OF EMPLOYEES BY DEPARTMENT

Number of Employees by Department

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Department										
Administration	13	14	13	12	16	16	17	16	15	15
IT	3	3	2	2	2	2	2	1	1	1
Engineering	2	4	4	3	3	4	4	4	3	4
Fire	14	16	15	18	17	19	20	20	19	20
Operations	5	7	5	6	5	5	5	6	6	6
Police	13	14	15	15	17	16	17	17	16	16
Dispatch	7	8	9	8	7	6	7	8	7	7
Terminal Maintenance	12	12	13	13	12	13	12	12	12	13
Airfield Maintenance *	29	29	24	24	28	26	24	22	20	22
Airport Business Park	2	3	4	3	3	2	2	3	4	4
Felts Field	3	2	2	2	2	2	2	2	2	2
Fuel Facility	4	5	4	5	4	5	6	6	7	6
Parking **	48	46	39	42	38	36	36	35	32	38
Totals	155	163	149	153	154	152	154	152	144	154

** includes overhires*

*** includes part time employees*

Source: Spokane Airport Finance Dept.

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

		2014		2013	
Fiscal Year Ended December 31		*Market Share*		*Market Share*	
	2014	%	2013	%	2012
Enplanements					
Alaska	186,333	12.48%	126,587	8.63%	114,815
US Airways	64,111	4.29%	67,596	4.61%	71,042
Delta	291,517	19.52%	282,677	19.27%	270,645
Express Jet	-	0.00%	-	-	-
Frontier	49,952	3.35%	57,609	3.93%	99,260
Northwest	-	0.00%	-	-	-
Southwest	365,110	24.45%	367,239	25.04%	396,284
United	100,033	6.70%	99,284	6.77%	120,743
Horizon	431,508	28.90%	457,839	31.22%	429,053
Skywest	-	0.00%	-	-	-
Big Sky	-	0.00%	-	-	-
Other	4,662	0.31%	7,870	0.54%	1,576
Total Enplanements	**1,493,226**	**100%**	**1,466,701**	**100%**	**1,503,418**
Deplanements					
Alaska	177,144	11.86%	129,477	8.87%	113,941
US Airways	65,744	4.40%	67,866	4.65%	71,560
Delta	294,398	19.71%	280,248	19.19%	269,613
Express Jet	-	0.00%	-	-	-
Frontier	50,657	3.39%	55,801	3.82%	96,820
Northwest	-	0.00%	-	-	-
Southwest	362,178	24.25%	366,286	25.09%	395,415
United	99,006	6.63%	98,207	6.73%	123,274
Horizon	439,853	29.45%	454,931	31.16%	430,184
Skywest	-	0.00%	-	-	-
Big Sky	-	0.00%	-	-	-
Other	4,446	0.30%	7,341	0.50%	1,439
Total Deplanements	**1,493,426**	**100%**	**1,460,157**	**100%**	**1,502,246**
Total Passengers	**2,986,652**		**2,926,858**		**3,005,664**
Air-Freight (2,000 lbs)					
Airborne	-		-		-
Airpac	78.34		127.75		149.38
Ameriflight	539.77		522.39		464.79
Empire	3,648.58		3,892.29		3,710.07
Fed Ex	37,996.97		36,538.94		33,178.58
UPS	21,632.54		21,313.16		22,878.98
Western Air Express	-		0.20		1.99
Total cargo only freight	63,896.20		62,394.73		**60,383.79**
Passenger carrier freight	1,722.66		1,750.85		989.83
Total Freight	**65,618.86**		**64,145.58**		**61,373.62**
Operations					
SIA - Landings and Takeoffs	64,409		65,063		67,131
Felts Field - Landings and Takeoffs	54,881		54,293		52,928

* Detail information is unavailable

Source: Spokane Airport Finance Dept.

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

2011	2010	2009	2008	2007	2006	2005
113,721	119,974	158,094	187,683	222,694	233,725	240,950
75,178	78,140	80,822	81,421	78,243	74,766	115,332
258,160	260,388	72,867	75,136	64,289	35,596	74,857
-	-	-	55,912	54,893	-	-
86,329	72,825	71,050	73,451	61,141	55,577	46,561
-	6,751	99,990	105,911	105,651	107,639	115,282
460,761	475,338	432,993	476,902	488,998	489,700	432,565
130,371	171,674	91,693	141,780	150,295	131,253	120,873
404,853	406,250	403,553	445,938	415,606	356,178	348,343
-	-	115,559	68,967	100,112	99,534	95,032
-	-	-	-	-	2,463	7,418
2,471	1,767	1,334	2,662	1,458	26,026	3,045
1,531,844	**1,593,107**	**1,527,955**	**1,715,763**	**1,743,380**	**1,612,457**	**1,600,258**
115,694	123,243	156,364	185,677	215,605	232,046	237,749
75,388	79,636	81,628	80,370	78,411	74,829	111,842
266,624	258,420	75,777	78,969	60,971	35,944	75,836
-	-	-	56,014	53,360	-	-
84,892	69,341	68,123	73,314	62,392	54,358	45,939
-	6,550	95,594	100,728	102,802	106,468	113,030
457,915	473,328	432,138	473,976	487,350	487,357	430,480
129,905	170,316	89,899	138,325	146,918	127,747	118,941
407,994	405,795	407,576	448,167	419,145	364,125	356,329
-	-	118,348	68,097	100,061	97,848	96,134
-	-	-	-	-	2,662	7,976
2,316	1,880	1,679	2,710	1,506	28,582	2,926
1,540,728	**1,588,509**	**1,527,126**	**1,706,347**	**1,728,521**	**1,611,966**	**1,597,182**
3,072,572	**3,181,616**	**3,055,081**	**3,422,110**	**3,471,901**	**3,224,423**	**3,197,440**
-	-	-	3,023.50	2,696.10	1,795.30	2,050.70
116.88	129.23	187.10	207.90	204.10	194.40	190.90
446.69	359.47	407.30	275.20	547.50	614.50	393.60
3,851.39	3,858.73	4,284.30	4,613.50	4,228.60	4,209.10	4,192.50
32,186.93	31,884.04	31,089.00	33,860.30	36,944.40	40,217.90	41,610.40
16,725.22	10,266.86	9,633.70	8,474.30	8,268.60	7,754.00	5,722.60
9.97	57.66	39.50	45.90	37.40	39.80	55.00
53,337.08	**46,555.99**	**45,640.90**	**50,500.60**	**52,926.70**	**54,825.00**	**54,215.70**
1,102.94	1,183.60	1,270.00	1,572.50	1,821.80	2,547.18	2,650.80
54,440.02	**47,739.59**	**46,910.90**	**52,073.10**	**54,748.50**	**57,372.18**	**56,866.50**
76,068	79,120	81,397	94,681	101,614	95,790	97,923
59,716	63,496	66,919	65,834	69,788	68,832	67,732

SPOKANE AIRPORT BOARD
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED

Program	Application Approved Number	Amount Authorized	Collection Level	Period Beginning Cumulative Collections	Current PFC Revenues
Quarter Ended March 31, 2014					
Passenger Facility Charges	09-07-U-00-GEG	$ 32,000,000	4.50	$ 31,636,557	$ -
	10-08-C-00-GEG	850,000	4.50	850,000	-
	11-09-C-00-GEG	16,365,000	4.50	11,076,844	815,869
				$ 43,563,401	$ 815,869
Quarter Ended June 30, 2014					
Passenger Facility Charges	09-07-U-00-GEG	31,636,557	4.50	31,636,557	-
	10-08-C-00-GEG	850,000	4.50	850,000	-
	11-09-C-00-GEG	16,365,000	4.50	11,893,407	1,529,735
				$ 44,379,964	$ 1,529,735
Quarter Ended September 30, 2014					
Passenger Facility Charges	09-07-U-00-GEG	31,636,557	4.50	31,636,557	-
	10-08-C-00-GEG	850,000	4.50	850,000	-
	11-09-C-00-GEG	16,365,000	4.50	13,424,926	1,404,068
				$ 45,911,483	$ 1,404,068
Quarter Ended December 31, 2014					
Passenger Facility Charges	09-07-U-00-GEG	31,636,557	4.50	31,636,557	-
	10-08-C-00-GEG	850,000	4.50	850,000	-
	11-09-C-00-GEG	16,365,000	4.50	14,831,073	1,965,051
				$ 47,317,630	$ 1,965,051
Year Ended December 31, 2014					
Passenger Facility Charges	09-07-U-00-GEG	31,636,557	4.50	$ 31,636,557	$ -
	10-08-C-00-GEG	850,000	4.50	850,000	-
	11-09-C-00-GEG	16,365,000	4.50	11,076,844	5,714,723
Cumulative Year Ended 12/31/14				$ 43,563,401	$ 5,714,723

Note: This schedule is prepared on an accrual basis

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED

Current Interest Earned	Period Ending Cumulative Collections	Remaining Collection Authority	Period Beginning Cumulative Expenditures	Current Expenditures	Period Ending Cumulative Expenditures	Collections vs. Expenditures
$ -	$ 31,636,557	$ 363,443	$ 31,636,557	$ -	$ 31,636,557	$ -
-	850,000	-	850,000	-	850,000	0
694	11,893,407	4,471,593	13,979,619	-	13,979,619	(2,086,212)
$ 694	$ 44,379,964	$ 4,835,036	$ 46,466,176	$ -	$ 46,466,176	(2,086,212)
-	31,636,557	-	31,636,557	-	31,636,557	-
-	850,000	-	850,000	-	850,000	-
1,784	13,424,926	2,940,074	13,979,619	-	13,979,619	(554,693)
$ 1,784	$ 45,911,483	$ 2,940,074	$ 46,466,176	$ -	$ 46,466,176	(554,693)
-	31,636,557	0	31,636,557	-	31,636,557	-
-	850,000	-	850,000	-	850,000	-
2,079	14,831,073	1,533,927	13,979,619	293	13,979,912	851,161
$ 2,079	$ 47,317,630	$ 1,533,927	$ 46,466,176	$ 293	$ 46,466,469	851,161
-	31,636,557	0	31,636,557	-	31,636,557	-
-	850,000	-	850,000	-	850,000	-
2,591	16,798,715	(433,715)	13,979,912	445,018	14,424,930	2,373,785
$ 2,591	$ 49,285,272	$ (433,715)	$ 46,466,469	$ 445,018	$ 46,911,487	2,373,785
$ -	$ 31,636,557	$ -	$ 31,636,557	$ -	31,636,557	-
-	850,000	-	850,000	-	850,000	-
7,148	16,798,715	(433,715)	13,979,619	445,311	14,424,930	2,373,785
$ 7,148	$ 49,285,272	$ (433,715)	$ 46,466,176	$ 445,311	$ 46,911,487	2,373,785

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

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

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

Application	Project #	Description	Authorized	Revenues & Interest	Expenditures
05-05-C-GEG CLOSED					
	05-002	Land acquisition.	$ -	$ -	$ 1,542,965
	05-003	Perimeter road construction.			1,224,460
	05-004	Planning study.			112,470
	05-005	Terminal rotunda and concourse C enhancements.			10,334,041
		Totals 05-05-C-GEG	13,213,936	13,213,936	13,213,936
06-06-C-GEG					
	06-002	Security Upgrade.			186,463
	06-003	Acquire SRE Equipment.			971,226
	06-004	Planning and Design for Runway 03 Extension.			416,577
		Totals 06-06-C-GEG	1,574,266	1,574,266	1,574,266
09-07-U-GEG					
	06-005 / 07-00:	Construction of Runway 03 Extension.	31,636,556		31,636,556
		Totals 06-06-I & 09-07-U-GEG	31,636,556	31,636,556	31,636,556
10-08-C-00-GEG					
	08-001	Master Plan Update	850,000		850,000
		Totals 10-08-C-GEG	850,000	850,000	850,000
11-09-C-00-GEG					
	09-001	Construct Snow Removal Equipment Building.	9,150,000		8,765,064
	09-002	Acquire Snow Removal Equipment.	5,825,000		5,157,224
	09-003	Acquire Glycol Recovery Equipment.	1,350,000		293
	09-004	PFC Administration.	40,000		57,331
		Totals 10-09-C-GEG	16,365,000	13,979,912	13,979,912
		ALL TOTALS	**$ 120,692,608**	**$ 118,307,520**	**$ 118,307,520**

SPOKANE AIRPORT BOARD
RATIO OF OUTSTANDING DEBT BY TYPE

For Fiscal Year ended December 31

	2014	2013	2012	2011
Outstanding Debt				
Revenue Bonds	$ 12,143,512	$ 13,839,985	$ 16,747,463	$ 19,569,943
Junior Lien Revenue Loan	7,007,543	6,950,445	7,036,680	7,122,059
Capital Leases	-	-	-	35,501
PFC Revenue Bonds	-	-	-	-
Total Outstanding Debt	$ 19,151,055	$ 20,790,430	$ 23,784,143	$ 26,727,503
Enplaned passengers	$ 1,493,226	$ 1,466,701	1,503,418	1,531,844
Outstanding debt per enplaned passenger	$ 12.83	$ 14.17	$ 15.82	$ 17.45
Operating Revenues	$ 27,836,397	$ 27,469,804	$ 27,486,021	$ 27,972,422
Ratio of outstanding debt to operating revenue	$ 0.69	$ 0.76	$ 0.87	$ 0.96
Debt Service Ratios				
Debt Principal	$ 3,097,411	$ 2,993,712	$ 2,943,359	$ 2,822,014
Debt interest	491,735	582,921	675,831	763,536
Total Debt Service	$ 3,589,146	$ 3,576,633	$ 3,619,190	$ 3,585,550
Enplaned passengers	1,493,226	1,466,701	1,503,418	1,531,844
Debt Service per enplaned passenger	$ 2.40	$ 2.44	$ 2.41	$ 2.34
Total operating expenses	$ 21,732,679	$ 22,259,196	$ 19,179,421	$ 19,201,908
Ratio of outstanding debt to total expense	$ 0.88	$ 0.93	$ 1.24	$ 1.39

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
RATIO OF OUTSTANDING DEBT BY TYPE

2010	2009	2008	2007	2006	2005
$ 22,307,442	$ 26,749,491	$ 29,981,482	$ 13,129,764	$ 14,641,086	$ 16,092,408
6,972,108	3,250,000	1,550,000	1,550,000	800,000	800,000
-	-	16,325	38,092	-	3,266
-	-	-	-	-	11,955,000
$ 29,279,550	$ 29,999,491	$ 31,547,807	$ 14,717,856	$ 15,441,086	$ 28,850,674
1,593,107	1,527,955	1,715,763	1,743,380	1,612,457	1,600,258
$ 18.38	$ 19.63	$ 18.39	$ 8.44	$ 9.58	$ 18.03
$ 27,599,583	$ 25,732,252	$ 26,704,651	$ 27,402,416	$ 23,342,984	$ 22,385,283
$ 1.06	$ 1.17	$ 1.18	$ 0.54	$ 0.66	$ 1.29
$ 3,373,406	$ 3,216,325	$ 2,501,767	$ 1,525,442	$ 4,273,266	$ 4,105,000
1,198,450	1,316,724	1,083,722	790,878	1,426,687	1,523,922
$ 4,571,856	$ 4,533,049	$ 3,585,489	$ 2,316,320	$ 5,699,953	$ 5,628,922
1,593,107	1,527,955	1,715,763	1,743,380	1,612,457	1,600,258
$ 2.87	$ 2.97	$ 2.09	$ 1.33	$ 3.53	$ 3.52
$ 18,440,059	$ 16,641,096	$ 18,760,087	$ 16,612,870	$ 15,627,057	$ 14,925,625
$ 1.59	$ 1.80	$ 1.68	$ 0.89	$ 0.99	$ 1.93

Debt limitations

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

Direct and Overlapping debt

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

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE SIA AND FELTS FIELD

Fiscal Year Ended December 31

	2014	2013	2012	2011
Operating Revenue				
Airfield	$ 3,967,783	$ 4,330,579	$ 4,715,829	$ 4,868,650
Terminal	10,971,883	10,484,004	10,452,201	10,519,971
Buildings	1,000,159	936,285	965,684	946,806
Leased sites	1,679,731	1,615,202	1,345,005	1,504,827
Parking	8,617,186	8,380,053	8,317,095	8,410,865
Other	101,609	137,049	88,954	153,996
Total Operating Revenues	26,338,351	25,883,172	25,884,768	26,405,115
Operating Expenses				
Airfield:	9,208,067	8,952,352	8,041,863	8,433,286
Terminal	4,380,790	4,343,695	3,962,181	4,060,616
Leased buildings and sites	518,389	402,022	681,782	342,703
Parking	2,569,236	2,820,033	2,153,263	1,932,412
General and administration	4,392,542	4,523,414	3,724,465	3,789,207
Total Operating Expenses	21,069,024	21,041,516	18,563,554	18,558,224
Net Operating Revenue Before Depreciation	5,269,327	4,841,656	7,321,214	7,846,891
Depreciation	17,751,995	16,357,968	14,534,642	12,837,531
Operating Income (Loss)	(12,482,668)	(11,516,312)	(7,213,428)	(4,990,640)
Net Operating Revenue Before Depreciation	5,269,327	4,841,656	7,321,214	7,846,891
Non-Operating Revenues (Expense)	2,858,229	2,851,164	2,164,035	954,401
Revenue Available for Debt Service	$ 8,127,556	$ 7,692,820	$ 9,485,249	$ 8,801,292
Debt Service 1995 Bonds	-	-	-	-
Debt Service 2000 Bonds	-	-	-	-
Debt Service 2001 Bonds	-	-	-	-
Debt Service 2008 Bonds	2,224,138	2,220,387	2,222,788	2,221,694
Debt Service 2010 Bonds	1,058,475	1,048,075	1,052,375	1,055,794
Total Debt Service	3,282,613	3,268,462	3,275,163	3,277,488
Coverage	2.48	2.35	2.90	2.69
Required coverage	1.30	1.30	1.30	1.30

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

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE SIA AND FELTS FIELD

2010	2009	2008	2007	2006	2005
$ 4,815,980	$ 4,074,866	$ 4,295,377	$ 4,217,909	$ 3,899,715	$ 3,881,229
10,522,276	9,712,524	9,559,778	11,427,726	8,563,471	8,301,548
689,864	638,983	633,431	624,801	539,578	474,248
1,408,403	1,287,824	1,311,942	1,050,680	1,051,475	926,584
8,523,998	8,309,996	9,368,490	8,635,122	7,845,728	7,347,018
103,701	172,154	130,751	110,676	155,757	161,323
26,064,222	24,196,347	25,299,769	26,066,914	22,055,724	21,091,950
7,366,021	6,810,845	6,165,270	5,405,855	4,554,161	4,857,782
3,624,260	3,863,038	3,926,647	3,317,519	3,176,607	2,955,104
436,264	220,847	568,667	562,602	886,499	303,497
1,529,511	1,338,322	1,081,292	1,004,258	1,068,851	944,502
4,888,737	3,806,095	6,031,360	5,417,556	5,164,634	5,121,046
17,844,793	16,039,147	17,773,236	15,707,790	14,850,752	14,181,931
8,219,429	8,157,200	7,526,533	10,359,124	7,204,972	6,910,019
11,100,276	8,686,291	8,549,106	8,755,629	9,094,119	8,000,544
(2,880,847)	(529,091)	(1,022,573)	1,603,495	(1,889,147)	(1,090,525)
8,219,429	8,157,200	7,526,533	10,359,124	7,204,972	6,910,019
1,422,258	1,702,447	3,308,984	(1,800,903)	702,166	(353,033)
$ 9,641,687	$ 9,859,647	$ 10,835,517	$ 8,558,221	$ 7,907,138	$ 6,556,986
-	-	-	-	-	-
1,425,625	1,425,625	1,422,175	1,420,615	1,421,702	1,420,478
639,280	636,540	642,300	635,620	637,295	639,010
2,217,719	2,222,281	1,313,385	-	-	-
-	-	-	-	-	-
4,282,624	4,284,446	3,377,860	2,056,235	2,058,997	2,059,488
2.25	2.30	3.21	4.16	3.84	3.18
1.30	1.30	1.30	1.30	1.30	1.30

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE-AIRPORT BUSINESS PARK

Fiscal Year Ended December 31	2014	2013	2012	2011
Operating Revenue				
Administrative building rent	$ -	$ -	$ -	$ -
Buildings	1,242,930	1,337,232	1,358,385	1,372,183
Leased Sites	237,144	233,593	232,757	195,124
Other	17,972	15,807	10,111	-
Total Operating Revenues	1,498,046	1,586,632	1,601,253	1,567,307
Operating Expenses				
General	-	-	-	102,799
Administrative building	-	-	-	48
Leased buildings and sites	424,278	966,712	346,368	269,286
Operations	239,377	250,968	269,499	271,551
Total Operating Expenses	663,655	1,217,680	615,867	643,684
Net Operating Revenue Before Depreciation	834,391	368,952	985,386	923,623
Depreciation	424,463	421,069	452,050	486,735
Operating Income (Loss)	409,928	(52,117)	533,336	436,888
Net Operating Revenue Before Depreciation	834,391	368,952	985,386	923,622
Non-Operating Revenues (Expense)	(82,261)	(87,355)	8,831	(17,362)
Revenue Available for Debt Service	$ 752,130	$ 281,597	$ 994,217	$ 906,260
Debt Service 2005 Bonds	220,541	221,429	222,060	222,437
Coverage	3.41	1.27	4.48	4.07
Required coverage	1.25	1.25	1.25	1.25

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE-AIRPORT BUSINESS PARK

2010	2009	2008	2007	2006	2005
$ -	$ -	$ -	$ -	$ -	$ -
1,327,862	1,248,585	1,158,052	1,127,881	1,105,114	1,095,826
190,189	277,818	245,255	204,668	180,527	196,849
17,310	9,502	1,575	2,953	1,619	658
1,535,361	1,535,905	1,404,882	1,335,502	1,287,260	1,293,333
124,814	136,796	343,742	188,899	126,704	146,997
-	59,958	78,532	82,152	80,689	72,692
206,135	171,383	297,367	325,716	320,886	239,036
264,317	233,812	267,211	308,323	248,026	284,969
595,266	601,949	986,852	905,090	776,305	743,694
940,095	933,956	418,030	430,412	510,955	549,639
363,105	545,935	434,388	318,354	300,908	304,497
576,990	388,021	(16,358)	112,058	210,047	245,142
940,095	933,956	418,030	430,412	510,955	549,639
(119,875)	(132,093)	(135,612)	-	37,203	-
$ 820,220	$ 801,863	$ 282,418	$ 430,412	$ 548,158	$ 549,639
221,826	220,997	219,516	217,686	220,712	222,216
3.70	3.63	1.29	1.98	2.48	2.47
1.25	1.25	1.25	1.25	1.25	1.25

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE-PFC PROJECTS

Fiscal Year Ended December 31

	2014	2013	2012	2011
Revenue				
PFC Revenue	***	***	***	***
Debt Service 1999 PFC Bonds	***	***	***	***
Coverage	***	***	***	***
Required coverage	***	***	***	***

**** The bonds outstanding were redeemed in 2006*

Source: Spokane Airport Finance Dept.

2010	2009	2008	2007	2006	2005
***	***	***	***	***	$ 6,439,470
***	***	***	***	***	3,314,723
***	***	***	***	***	1.94
***	***	***	***	***	1.10

SPOKANE AIRPORT BOARD
PRINCIPAL EMPLOYERS

For Spokane County

	2014			2005		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Providence Health Care	5,170	1	2.33%	3,087	3	1.54%
92nd Air Refueling Wing, Fairchild Air Force Base	4,578	2	2.06%	5,343	1	2.67%
State of Washington	4,226	3	1.91%	2,763	4	1.24%
Spokane Public Schools	3,368	4	1.52%	3,146	2	1.57%
Spokane County	2,004	5	0.90%	2,049	6	1.02%
City of Spokane	1,926	6	0.87%	1,963	7	0.98%
Central Valley School District	1,430	7	0.64%	1,180	12	0.59%
Wal-Mart Stores	1,395	8	0.63%	-	-	-
URM Stores Inc.	1,378	9	0.62%	1,405	9	0.70%
Rockwood Clinic PS	1,320	10	0.60%	742	24	0.37%
Kalispel Tribal Economic Authority/Northern Quest	1,301	11	1%	964	12	0%
Gonzaga University	1,226	12	1%	961	13	0%
	29,322		8.83%	23,603		6.47%

Source: Journal of Business January 1, 2015 book of lists
Source: Journal of Business January 1, 2006 book of lists

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

Spokane County, Washington

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Annual Average Unemployment Rate
2006	446,751	14,152,982	31,626	5.00%
2007	454,034	15,329,615	33,607	4.80%
2008	460,303	16,094,042	35,844	5.60%
2009	466,426	16,215,776	34,452	9.20%
2010	471,221	16,576,784	34,590	9.90%
2011	472,650	17,027,064	36,752	9.40%
2012	475,600	17,918,986	38,085	8.75%
2013	480,000	18,558,543	38,712	7.90%
2014	484,500	n/a	n/a	6.70%

Sources: Washington State Office of Financial Management

Personal Income data provided by BEA

n/a - data is not available

https://fortress.wa.gov/esd/employmentdata/reports-publications/regional-reports/local-unemployment-statistics

Legend / Footnotes:

1 *Nonfarm personal income is total personal income less farm income.*

2 *Farm income is farm earnings less farm employer contributions for social insurance.*

3 *Census Bureau midyear population estimates. Estimates for 2000-2011 reflect county population estimates available as of March 2014*

4 *Per capita personal income is total personal income divided by total midyear population.*

5 *Contributions for government social insurance are included in earnings by type and industry, but they are excluded from personal income.*

6 *The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers*

7 *Rental income of persons includes the capital consumption adjustment.*

8 *Proprietors' income includes the inventory valuation adjustment and the capital consumption adjustment.*

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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

The Board of Directors
Spokane Airport Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Spokane Airports Board (Airport), which comprise the statement of net position as of and for the year ended December 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2015.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Spokane, Washington
June 4, 2015