2020

ANNUAL REPORT

SPOKANE AIRPORT BOARD

Annual Financial Statements

For the years ending

December 31, 2020 & 2019

Prepared By

Rob Schultz, Chief Financial Officer
Charlie Pflieger, CPA, Accounting Manager
Christi Smith, CPA, Accountant
Sarah DeFord, Accountant
Kerry Manzanares, Accountant

Spokane, Washington

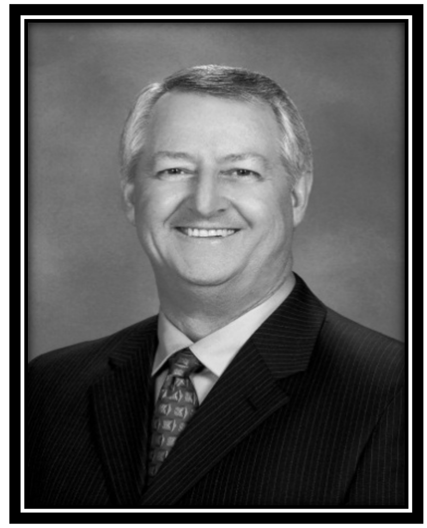
Table of Contents

Introductory Section

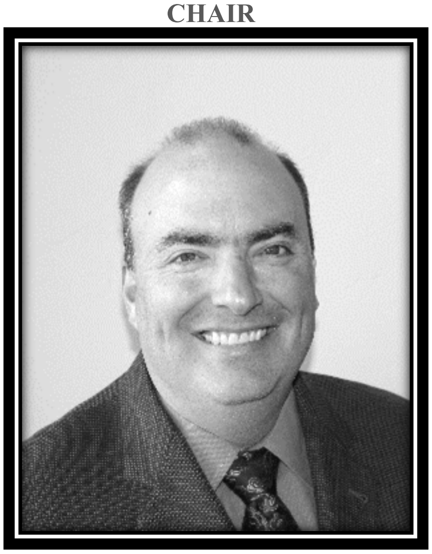
Spokane Airport Board

EZRA ECKHART
CHAIR

COLLINS SPRAGUE
VICE CHAIR



AL FRENCH
SECRETARY



MAX KUNEY

BREEAN BEGGS

NANCY VORHEES

JENNIFER WEST

Financial Section

Report of Independent Auditors

The Board of Directors
Spokane Airport Board

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2020 and 2019, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2020 and 2019, and the respective changes in net position and 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, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 28, 2022, 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, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Airport's 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
February 28, 2022

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, 2020, with selected comparative information from the years ended December 31, 2019 and December 31, 2018.

SIA, ABP, and Felts Field are jointly owned and operated by the City and County of Spokane (the City and County) through an *Airport Joint Operation Agreement*. Spokane International Airport serves as the region's commercial service airport and provides domestic scheduled passenger and cargo air service connectivity for the market area that stretches as far as Lewiston, ID to the south and British Columbia and Alberta, Canada to the north. The market area also reaches the foothills of the Cascades to the west and into western Montana to the east. The Airport Business Park is home to several regionally-significant facilities such as the Waste-to-Energy plant; Geiger Corrections Facility; Waste Management Recycling Center and U.S. Postal Service Regional Processing and Distribution Center as well as a number of tenants that include regional banks, small businesses, and other government agencies. Felts Field (SFF) is a 400-acre general aviation reliever airport that had 60,671 aircraft operations in 2020 and is home to over 160 aircraft and nine commercial tenants. Western Aviation provides fixed-base operator and avionic services. Felts Field has two paved runways and a turf landing strip as well as the ability to accommodate water landings on the adjacent Spokane River.

The three operating areas receive no tax revenues and are self-supporting with resources obtained from landing fees, lease revenues, user fees, parking revenues, federal and state grants, and Passenger and Customer Facility Charges (PFC and CFC, respectively). Expenses are controlled and monitored in accordance with budget requirements. The facilities have consistently met all financial obligations.

Airport Activities and Highlights

Passenger, Operations and Cargo Highlights:

According to the latest available data from the Federal Aviation Administration, SIA ranks as the 65th busiest US airport for passengers and 61st busiest in terms of cargo. The principal services provided by the Airport have been related to passenger origin and destination traffic. The Airport is defined by the FAA as a small air traffic hub, an Airport which handles between 0.05 percent and 0.249 percent of the enplaned passengers by U.S. air carriers nationwide.

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

Summary of Operations	2020	2019	2018
Total Passengers	1,926,159	4,036,920	3,998,272
Cargo (pounds)	147,668,622	138,002,106	141,614,009
SIA - Operations	58,725	69,097	68,256
Felts Field - Operations	56,894	60,671	59,236

Total passenger traffic at Spokane in 2020 was adversely impacted by the global Covid-19 pandemic. Passenger traffic decreased by 52% compared to 2019 and operations (takeoffs and landings) decreased 15%. While certain nonstop routes were suspended at the pandemic onset, those routes have been resumed as air travel recovers toward pre-pandemic levels. 2019 saw a small increase in operations (takeoffs and landings) at SIA over 2018. One non-stop destination was added during 2019, which was to Paine Field in Everett, WA, bringing the total of non-stop destinations to 18 at the end of the year. Felts Field experienced a small decrease in operations in 2020, following a modest increase in operations in 2019. Infrastructure improvements at Felts Field made over the past few years continue to attract pilots to base aircraft at the field.

Mail and cargo traffic showed an increase in 2020 following a decrease in 2019 over 2018. The increase in 2020 is due to an increase in cargo carried by passenger carriers along with activity increases from United Parcel Service (UPS) and Federal Express (FedEx).

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). GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPA's (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

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

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

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

The *Statement of Net Position* reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of each year-end. Changes in Net Position over time are an indicator of the Airport's general financial condition.

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

The *Statement of Cash Flows* compares the operating results of 2020 to 2019 with the associated inflows and outflows of cash and cash equivalents. A reconciliation is provided within the statement to assist in understanding the effects on cash related to different activities.

Below is a Summary of the Statement of Net Position:

Summary Schedule of Net Position	2020	2019	2018
Current Assets	$ 42,401,421	$ 28,999,016	$ 34,845,581
Noncurrent Assets			
Other Noncurrent Assets	21,196,847	23,450,460	25,411,934
Capital Assets	274,092,315	290,535,182	280,870,985
Total Assets	337,690,583	342,984,658	341,128,500
Deferred Outflow of Resources	2,651,492	2,172,449	1,450,134
Current Liabilities	6,775,747	7,739,176	9,121,165
Noncurrent Liabilities			
Other Noncurrent Liabilities	9,012,997	8,967,695	9,119,757
Bonds and Other Long-Term Debt	3,674,748	4,131,747	4,587,318
Total Liabilities	19,463,492	20,838,618	22,828,240
Deferred Inflow of Resources	1,760,362	2,814,581	2,657,409
Net Position			
Net Investment in Capital Assets	267,254,414	283,841,949	274,257,397
Restricted	23,931,569	26,575,055	30,786,649
Unrestricted	27,932,238	11,086,904	12,048,939
Total Net Position	$319,118,221	$321,503,908	$317,092,985

Assets:

Current Assets increased in 2020 after a decrease in 2019. The increase in 2020 is primarily due to an increase in short-term investments, including federal grant relief funds. The decrease in 2019 relates primarily to a decrease in receivables, including those amounts due from government agencies.

Other Noncurrent Assets decreased in 2020 after a decrease in 2019. The decrease in 2020 relates to a decrease in CFC and PFC funds. The decrease in 2019 relates primarily to a decrease in restricted PFC cash held for future projects.

Capital Assets decreased in 2020 after an increase in 2019. The decrease in 2020 is primarily due to a reduction in depreciable capital assets, a result of depreciation expense exceeding new capital assets additions. The increase in 2019 is due to construction of a railroad trunk spur onto airport property to support future development, along with an expansion of a surface parking lot at SIA, and the completion of an aircraft fueling facility and apron, as well as a new 21,000 sf aircraft storage hangar at Felts Field.

Total Assets, combining the changes in the component assets, decreased in 2020 after an increase in 2019. The decrease in 2020 is a result of the decrease in capital assets, offset by the increase in current assets. The increase in 2019 is a result of the increase in capital assets offset by the decrease in current and noncurrent assets.

Deferred Outflows increased in 2020 and 2019. The changes in each year relate entirely to variances from actuarial assumptions in the Washington State pension accounting and Other Postemployment Benefits (OPEB). Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Liabilities:

Current liabilities decreased in both 2020 and 2019. The decrease in both years is due primarily to a decrease in all payables due at year-end, including general and construction amounts payable.

Other noncurrent liabilities increased in 2020 following a decrease in 2019. The changes are a result of adjustments to the Other Post-Employment Benefits of retired LEOFF Plan 1 fire fighters, the net pension liability related to the Washington State pension liabilities, and adjustments to the Environmental Liability.

Long-term debt decreased in both 2020 and 2019. The decrease in both years is due to the normally scheduled repayment of debt service activity in the remaining long-term debt instruments. Additional detailed information regarding long-term debt activity is found in Note 6 to the financial statements.

Total liabilities decreased in 2020 and 2019. The decreases in 2020 and 2019 are due to decreases in all components, namely current liabilities, noncurrent and long-term liabilities.

Deferred Inflows decreased in 2020 after it increased in 2019. The changes in both years relate primarily to variances from actuarial assumptions in the Washington State pension accounting and OPEB. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Net Position:

The Airport's assets and deferred outflows exceed liabilities and deferred inflows at the end of 2020 by $319.1 million, a decrease of $2.4 million over 2019. 2019 showed an increase of $4.4 million over 2018.

The largest portion of the Airport's net position, $267.3 million in 2020, $283.8 million in 2019, and $274.3 million in 2018 represents the net investment in capital assets (e.g. land, buildings, machinery, and equipment less related debt). The decrease in 2020 compared to 2019 was a result of less investment in capital assets than recorded depreciation expense, resulting in a decrease in net postion. The increase in 2019 corresponded to the increase in capital assets and decrease in debt related to those assets. 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, $24.0 million in 2020, $26.6 million in 2019, and $30.8 million in 2018 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 $2.6 million in 2020 and the $4.2 million decrease in 2019 relate mainly to the reduction in the restricted PFC balance. The amount of restricted net assets does not affect the availability of other resources for future use.

The portion of total unrestricted net position increased in 2020 after a decrease in 2019. The increase primarily is from the increase in cash and investments and the decrease in net assets. The decrease in 2019 was due primarily to changes in unrestricted cash used to fund airport capital projects. 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, 2020, 2019, and 2018.

Summary of Net Position	2020	2019	2018
Operating Revenue	$ 31,094,135	$ 44,540,630	$ 40,202,868
Operating Expense	27,230,819	30,780,598	26,454,831
Operating income before depreciation	3,863,316	13,760,032	13,748,037
Depreciation expense	29,276,987	26,108,329	23,672,355
Operating income (loss)	(25,413,671)	(12,348,297)	(9,924,318)
Nonoperating Income (Expense)	18,027,679	13,347,652	12,543,658
Increase (decrease) in Net Position before Capital	(7,385,992)	999,355	2,619,340
Capital Contributions and Grants	5,000,305	3,411,568	14,866,934
Increase (decrease) in Net Position	(2,385,687)	3,411,568	17,486,274
Net Position, beginning of year	321,503,908	317,092,985	299,606,711
Net Position, end of year	$ 319,118,221	$ 321,503,908	$ 317,092,985

Total operating revenues in 2020 of $31.1 million represents a $13.4 million decrease over 2019; total operating revenues in 2019 of $44.5 million represented a $4.3 million increase over 2018. The driver of the decrease in revenue for 2020 was the global pandemic and the related impact to the aviation industry. This negatively impacted many of the revenue streams at the Airport. The primary drivers of the increase from 2018 to 2019 were airfield revenues, parking and ground transportation operations, and terminal revenues.

Total operating expenses prior to depreciation in 2020 were $27.2 million compared to a total of $30.8 million in 2019, a decrease of $3.6 million; 2018 total operating expenses were $26.5 million. The 2020 decrease was the result of cost saving measures implemented by the Airport as a result of the decrease in aviation activity because of the pandemic. The 2019 increase over 2018 is primarily due to higher passenger traffic that drove an increase in operating expenses.

Depreciation charges of $29.3 million were recorded in 2020 after $26.1 million in 2019, both increases over prior years. These increases relate to the amount of infrastructure and equipment additions in 2020, 2019, and years prior that have remaining useful lives and value.

Non-operating income and expense show a net positive increase in both 2020 and 2019. The primary reason for the increase in 2020 was CARES grant revenue reimbursement for operating expenses. The primary causes of the increase in 2019 were a decrease in interest expense along with increases in most non-operating revenues, most notably interest income and the collection of CFCs and PFCs.

Capital contributions and capital grants revenue was $5.0 million in 2020, an increase of $1.6 million from 2019. 2019 had $3.4 million, which was a decrease of $11.5 million from 2018. These fluctuations in revenue are representative of the nature and timing of federal grant funding. The amount of grant revenue can vary greatly from year to year depending on the projects being planned, funded and constructed.

Revenues:

Below in a summary of revenue for the three fiscal years ended December 31, 2020, 2019, and 2018:

Summary of Revenues	2020	2019	2018
Operating Revenues:			
Airfield	$ 5,616,836	$ 7,674,440	$ 6,812,050
Passenger terminal	12,805,825	16,083,845	14,875,342
Leased buildings	2,698,715	2,772,354	2,806,514
Leased areas	2,594,465	2,529,341	2,269,752
Parking and ground transportation	7,265,642	15,353,376	13,257,078
Other	112,652	127,274	182,132
Total Operating Revenue	31,094,135	44,540,630	40,202,868
Nonoperating Income:			
Interest income	1,225,481	1,133,427	1,051,727
Gain on disposal of assets	1,207,875	-	73,138
Gain on investments	224,097	525,840	220,026
Transaction fee	2,117,572	3,647,130	3,577,916
Passenger facility charges	3,618,624	8,064,737	7,635,677
Other grant revenue	9,822,645	148,744	345,541
Total Nonoperating Income	18,216,294	13,519,878	12,904,025
Federal AIP and other grants	5,000,305	3,411,568	14,866,934
Total	$54,310,734	$61,472,076	$67,973,827

Airfield revenue decreased in 2020 over 2019 due to the impact of the pandemic on air traffic and the resulting decrease in landed weight as airlines suspended routes or return the frequency of certain routes. The increase in 2019 over 2018 was due primarily to increases in landed weights at SIA.

Passenger terminal revenue decreased in 2020 compared to 2019 due to a reduction in passenger traffic, which impacted concession revenue such as rental cars, food, beverage, and retail sales. 2019 revenue increased over 2018 due to an increase in passenger traffic that resulted in an increase in concession revenue.

Leased building revenue decreased slightly in 2020 after a similar decrease in 2019. The 2020 and 2019 decreases relate to vacancies in the Airport Business Park.

Leased area revenue, land leases, activity increased in both 2020 and 2019. The increase in 2020 and 2019 is due primarily to on premise hotel activity increases along with the addition of a new hotel lease.

Parking revenue, which includes Ground Transportation fees, decreased in 2020 as a result of the pandemic and the corresponding decrease in passenger traffic. The Airport closed the economy lots and decreased rates for some of the other parking options.. The 2019 increase compared to 2018 corresponded to the increase in passenger traffic. In 2019, rate increases for the garage and economy lots contributed to increased revenues. Each year there were programmed rate increases in the fee charged to commercial vehicles accessing the Airport property to pick-up and drop-off passengers.

Non-operating revenue increased in both 2020 and 2019. The main driver for 2020 was CARES grant revenue. In 2019, the primary drivers were increases in PFC and CFC revenue. Both PFC and CFC revenues directly relate to passenger activity which decreased in 2020 due to the pandemic. The PFC and CFC are restricted to specific uses and are not used to fund operations.

Also included in non-operating income is interest revenue and other grant revenue. Interest income increased in both 2020 and 2019 due to an increase in the balances available for investments.

Expenses:

Below is a summary of expenses for the three fiscal years ended December 31, 2020, 2019, and 2018:

Summary of Expenses	2020	2019	2018
Operating Expenses:			
Airfield	$10,884,364	$10,969,272	$ 9,672,674
Passenger terminal	4,846,611	6,447,706	5,291,815
Leased buildings	1,078,315	1,578,930	1,200,117
Parking and ground transportation	4,414,791	5,443,265	4,629,703
Administration and operations	6,006,738	6,341,425	5,660,522
Total Operating Expense	27,230,819	30,780,598	26,454,831
Depreciation expense	29,276,987	26,108,329	23,672,355
Nonoperating Expense			
Interest expense	37,079	13,338	14,826
Loss on disposition of assets	-	10,144	-
Other grant expense	151,536	148,744	345,541
Total Nonoperating Expense	188,615	172,226	360,367
Total	$56,696,421	$57,061,153	$50,487,553

Airfield expenses decreased slightly in 2020 due to minor fluctuations in airfield maintenance and operating expenses. This followed an increase in 2019 due to increased staffing to authorized levels along with related payroll taxes and benefits, as well as maintenance of buildings and pavement surfaces.

Passenger Terminal expenses decreased in 2020 after an increase in 2019. The decrease in 2020 is due mainly to cost saving measures implemented following the reduction of passenger traffic because of the pandemic. 2019 expenses increased resulting from increased passenger traffic.

Leased Buildings expenses decreased in 2020 following an increase in 2019. The 2020 decrease was due to a focus on reducing maintenance and operating expenses because of the pandemic. The increase in 2019 was due to various sidewalk repair projects along with increased costs corresponding to better allocations of snow removal and surface deicing expenses.

Parking and Ground Transportation expenses decreased in 2020 after an increase in 2019. The decrease in 2020 is attributed to staffing levels and closure of the economy lots due to the pandemic. The increase in 2019 is attributed to the added costs of a new economy parking lot that opened in November 2018.

Administration and operations expenses decreased in 2020 after an increase in 2019. The reduction is 2020 is the result of staffing levels and other cost savings measures implemented due to the decrease in passenger activity. The 2019 increase was due to the combination of increased staffing to correct levels along with related payroll taxes and benefits, increased legal expenses, and office equipment additions.

Other financial considerations

The basic financial structure of the Airport facilities has been very consistent over the past 35 years, with the residual based Airline Operating Agreement (AOA) that has been in effect since 1984, and modified periodically. The AOA and airline leases were extended through negotiations with air carriers with minor changes until December 31, 2021.

Despite the impacts of the pandemic, the Airport is in a strong financial position given the amount of liquidity, the declining balances of long-term debt, the strong debt service coverage and low debt burden per passenger. The Airport operates with sound financial decision-making, a relatively low cost structure, and a disciplined approach to financing capital needs.

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 Rob Schultz, Chief Financial Officer, 9000 W. Airport Drive, Suite 204, Spokane, WA 99224.

SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION

ASSETS

	December 31, 2020	December 31, 2019
CURRENT ASSETS		
Unrestricted Current Assets		
Cash	$ 263,210	$ 130,006
Unrestricted cash and short-term investments	34,949,772	22,590,481
Accounts receivable, less allowance for doubtful accounts of 2020 $448,687; 2019 $450,000	2,775,499	1,638,575
Prepaid expenses and other assets	885,946	703,783
Inventory	326,336	348,982
Total Unrestricted Current Assets	39,200,763	25,411,827
Restricted Current Assets		
Current portion, restricted cash and short-term investments	3,050,383	2,440,454
Receivable from government agencies	150,275	1,146,735
Total Restricted Current Assets	3,200,658	3,587,189
Total Current Assets	42,401,421	28,999,016
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Land	21,104,192	21,528,656
Construction in process	15,534,763	12,529,036
Depreciable capital assets, net of accumulated depreciation	237,453,360	256,477,490
Total Unrestricted Noncurrent Assets	274,092,315	290,535,182
Restricted Noncurrent Assets		
Restricted cash and investments, less current portion	19,148,136	21,178,233
Net Pension Asset	2,048,711	2,272,227
Total Restricted Noncurrent Assets	21,196,847	23,450,460
Total Noncurrent Assets	295,289,162	313,985,642
TOTAL ASSETS	337,690,583	342,984,658
DEFERRED OUTFLOW OF RESOURCES	2,651,492	2,172,449

LIABILITIES

	December 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Liabilities Payable from Unrestricted Assets		
Construction warrants and retainage payable	$ 410,402	$ 727,976
Vouchers payable and other accrued expenses	2,691,129	4,262,099
Accrued payroll	838,296	861,681
Compensated absences - current portion	77,007	46,886
Total Unrestricted Current Liabilities	4,016,834	5,898,642
Liabilities Payable from Restricted Assets		
Construction warrants and retainage payable	2,296,227	1,377,940
Accrued interest payable	6,162	7,024
Long-term debt due within one year	456,524	455,570
Total Restricted Current Liabilities	2,758,913	1,840,534
Total Current Liabilities	6,775,747	7,739,176
NONCURRENT LIABILITIES		
Deposits	291,875	291,869
Compensated absences	895,616	1,181,532
Accrued environmental liabilities	2,106,943	2,221,543
Accrued postretirement and termination benefits	3,479,120	3,057,956
Net Pension liabilities	2,239,443	2,214,795
Long-term debt, due in more than one year	3,674,748	4,131,747
Total Noncurrent Liabilities	12,687,745	13,099,442
TOTAL LIABILITIES	19,463,492	20,838,618
DEFERRED INFLOW OF RESOURCES	1,760,362	2,814,581
NET POSITION		
Net Investment in capital assets	267,254,414	283,841,949
Restricted for:		
Debt service	45,718	36,120
Passenger Facility Charge	3,114,088	6,011,910
Customer Facility Charge	15,574,274	14,710,278
Cash restricted for retainages and deposits	2,998,503	2,397,785
Receivable from government agencies	150,275	1,146,735
Net Pension Asset	2,048,711	2,272,227
Total Restricted Net Assets	23,931,569	26,575,055
Unrestricted	27,932,238	11,086,904
TOTAL NET POSITION	$ 319,118,221	$ 321,503,908

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

	Year Ended December 31, 2020	2019
Operating revenues:		
Airfield	$ 5,616,836	$ 7,674,440
Passenger terminal	12,805,825	16,083,845
Leased buildings	2,698,715	2,772,354
Leased areas	2,594,465	2,529,341
Parking and ground transportation	7,265,642	15,353,376
Other	112,652	127,274
Total Operating Revenue	31,094,135	44,540,630
Operating expenses:		
Airfield:		
General	6,366,115	6,387,435
Fire department	2,068,650	2,171,749
Police department	2,449,599	2,410,088
Passenger terminal	4,846,611	6,447,706
Leased buildings	1,078,315	1,578,930
Parking and ground transportation	4,414,791	5,443,265
Administration and operations	6,006,738	6,341,425
Total Operating Expense	27,230,819	30,780,598
Operating income before depreciation	3,863,316	13,760,032
Depreciation	29,276,987	26,108,329
Operating income (loss)	(25,413,671)	(12,348,297)

	Year Ended December 31, 2020	2019
Nonoperating revenues (expenses):		
Interest income	$ 1,225,481	$ 1,133,427
Interest expense, including amortization of bond premiums	(37,079)	(13,338)
Gain (loss) on disposition of assets	1,207,875	(10,144)
Gain (loss) on investments	224,097	525,840
CARES grant revenue	9,671,110	-
Grant revenue	151,535	148,744
Grant expense	(151,536)	(148,744)
Transaction Fees	2,117,572	3,647,130
Passenger facility charges	3,618,624	8,064,737
Total Nonoperating revenue (expenses)	18,027,679	13,347,652
Increase (decrease) in net assets before capital grants and related items	(7,385,992)	999,355
Capital contributions		
Federal AIP and other grants	5,000,305	3,411,568
	5,000,305	3,411,568
Increase (decrease) in Net Position	(2,385,687)	4,410,923
Net Position, beginning of year	321,503,908	317,092,985
Net Position, end of year	$ 319,118,221	$ 321,503,908

SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS

	Year Ended December 31, 2020	Year Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from airfield operations	$ 4,460,372	$ 9,842,743
Cash received from passenger terminal	12,805,825	16,083,845
Cash received from building leases	2,698,715	2,772,354
Cash received from area leases	2,594,465	2,529,341
Cash received from parking	7,265,642	15,353,376
Other operating cash received	112,652	127,274
Cash paid for airfield operations	(5,327,388)	(5,175,487)
Cash paid to airfield employees	(6,313,231)	(6,292,264)
Cash paid for passenger terminal	(4,020,921)	(5,594,078)
Cash paid to passenger terminal employees	(968,827)	(917,033)
Cash paid for leased building operations	(1,078,315)	(1,578,930)
Cash paid for parking operations	(3,222,492)	(4,087,844)
Cash paid to parking operations employees	(1,426,066)	(1,442,440)
Cash paid for administration and operations	(5,383,460)	(6,492,584)
Cash paid to administration and operations employees	(2,478,323)	(2,119,441)
Net cash provided (used) by operating activities	(281,352)	13,008,832
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	9,822,645	148,744
Operating grant expenses	(151,536)	(148,744)
Net cash provided by noncapital financing activities	9,671,109	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state grant proceeds	5,996,765	6,213,986
Acquisition and construction of capital assets	(12,777,204)	(35,262,651)
Principal payments on debt	(7,656,045)	(455,571)
Proceeds from short term debt	7,200,000	-
Proceeds from sale of capital assets	1,751,672	15,197
Interest paid on debt	(37,941)	(14,196)
Transaction fees collected	2,117,572	3,647,130
Passenger facility charges collected	3,551,772	7,696,213
Net cash provided (used) by capital and related financing activities	146,591	(18,159,892)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,535,979	1,659,684
Net cash provided by investing activities	1,535,979	1,659,684
NET CHANGE IN CASH	11,072,327	(3,491,376)
Cash, beginning of year	46,339,174	49,830,550
Cash, end of year	$ 57,411,501	$ 46,339,174

	Year Ended December 31, 2020	2019
OPERATING INCOME (LOSS)	$ (25,413,671)	$ (12,348,297)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	29,276,987	26,108,329
Changes in assets and liabilities:		
Accounts receivable	(1,156,473)	2,162,017
Prepaid expenses and other assets	(182,163)	39,643
Inventory	22,646	(83,380)
Vouchers payable and other accrued expenses	(1,570,970)	(1,982,957)
Accrued payroll	(23,385)	125,982
Accrued vacation and sick pay	(255,795)	(48,746)
Increase (decrease) in net pension liability and related deferred outflows and inflows of resources	(1,285,098)	(1,371,162)
Other	306,570	407,403
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (281,352)	$ 13,008,832
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
NONCASH CAPITAL ACTIVITIES		
Acquisition of construction and capital assets, recorded but not paid at year end	2,706,629	2,105,916
TOTAL NONCASH ITEMS	$ 2,706,629	$ 2,105,916
RECONCILIATION OF CASH		
Cash	$ 263,210	$ 130,006
Unrestricted short-term cash investments	34,949,772	22,590,481
Restricted cash and short-term investments, current and noncurrent	22,198,519	23,618,687
CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS	$ 57,411,501	$ 46,339,174

See Accompanying Notes

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 predominant 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. This agreement was last modified in 2018.

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 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, the City of Spokane and Spokane County are responsible to pay any deficit through a 50/50 split. 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 municipality is responsible to make a payment to the other to compensate them for their share of the difference between the assets and liabilities.

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

Measurement focus and basis of accounting:

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

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

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

Note 1 – Significant Accounting Policies (Continued)

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

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

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

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

Deferred Outflows/Inflow of Resources:

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

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

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 a certain proportion of the operating costs for the airfield and terminal.

Concentration of operating revenue:

The operation of the Airport is dependent upon the utilization of their facilities by air carriers and major airlines. Airlines have signed operating agreements (Note 10) with the Airport for terminal rentals and landing fees and for the maintenance of net revenues in accordance with bond covenants (see Note 6). Revenues from airlines amounted to approximately 41% and 34% of operating revenue for the years ended December 31, 2020 and 2019, respectively. Rental car revenue approximated 13% and 24% of operating revenue for the years ended December 31, 2020 and 2019, respectively. Parking garage revenues for the years ended December 31, 2020 and 2019, approximated 23% and 34% 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.

Note 1 – Significant Accounting Policies (Continued)

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 Federal Aviation Administration (FAA) to impose a passenger facility charge (PFC) for each passenger who utilizes SIA of up to $4.50 from August 1, 2018, through March 1, 2023. 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 $164,224,198 has been approved for collection and $164,224,198 has been approved for use, of which $159,064,502 has been received through December 31, 2020. At December 31, 2020, Spokane International Airport had total cumulative expenditures of $153,806,963. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

Transaction fees:

The Airport collects a transaction fee of $3.75 per day from rental car transactions. The transaction fee revenue is used to fund capital improvement projects. Transaction fee revenues received from the rental car companies are recorded as non-operating income in the statement of revenues, expenses, and changes in Net Position.

Federal grants-in-aid:

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

Cash and cash equivalents:

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

Short-term investments:

The Airport invests the majority of its funds with Spokane County's investment pool for Spokane County government agencies. It is the policy of Spokane County to invest public funds in accordance with governing statutes and in a manner, which will provide the best investment return. Investments are made by designated personnel in accordance with the Spokane County Treasurer's Investment Policy. County policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis. Investments are recorded at fair value. Information regarding the types of investments that the County can purchase are found in RCW 36.29.020.
Investments are recorded at net asset value in accordance with GASB Statement No. 72, *Fair Value Measurement, and Application.* Accordingly, the change in net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts receivable and allowance for doubtful accounts:

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

Note 1 – Significant Accounting Policies (Continued)

Inventory:

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

Capital assets:

Capital assets with an acquisition cost in excess of $7,500 at the acquisition date and having an expected useful life of one or more years are capitalized and depreciated. Repair and maintenance costs are expensed as incurred. Replacements and major improvements of capital assets are capitalized at cost. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the Statement of Revenues, Expenses, and Changes in Net Position. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Land is not considered a depreciable asset. The Statement of Revenues, Expenses, and Changes in Net Position include depreciation of all depreciable property, facility, and equipment and total gains or losses upon the disposal thereof.

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

Effective September 1, 2018 the estimated useful lives of depreciable property, facility and equipment was changed to the following:

Land improvements	5-15 years
Buildings	15-40 years
Building Improvements and additions	5 years - or remaining life
Roads and Parking Lots	5-20 years
Aprons, Taxi and Runways Asphalt	5-15 years
Aprons, Taxi and Runways - Concrete	10-20 years
Equipment	2-10 years
Utilities	15-40 years
Vehicles and Equipment	2-10 years

Debt discount, premium, and issuance costs:

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

Pensions:

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

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, or through the terms of employement agreement and collective bargaining agreements. Compensated absences are accrued when earned and are reported as a liability.

Note 1 – Significant Accounting Policies (Continued)

Non-Union employees

Administrative employees may accrue up to 240 hours of vacation time and up to 1,040 hours of sick leave. Unused sick leave is paid out to an employee or the employee's estate only when separation is due to death or retirement. Sick leave payout is equal to 50% of not more than 1,040 hours.

Maintenance employees

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

Firefighters

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

Part Time Employees

Beginning January 1, 2018, RCW 49.46 requires that all part time employees accrue one hour of sick leave for every forty hours worked.

Net Position:

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

> *Invested in capital assets:* - Capital assets are shown net of accumulated depreciation, deferred inflows/outflow of resources, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
>
> *Restricted component:* – Consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets that have third party restrictions placed on them.
>
> *Unrestricted component:* - is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Policy regarding use of restricted vs. unrestricted resources:

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

Accounting Standards Issued but Not Yet Adopted:

GASB Statement No. 87 (GASB 87) – *Leases was issued June 2017.* This standard established a single approach to accounting for and reporting leases by local and state governments. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The standard is effective for fiscal years ending after June 15, 2021. The Airport is currently evaluating the impact this standard will have on the financial statements.

Note 1 – Significant Accounting Policies (Continued)

GASB Statement No. 96 (GASB 96) – *Subscription Based Information Technology Arrangements* was issued May 2020. This standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The standard is effective for fiscal years ending after June 15, 2022. The Airport is currently evaluating the impact this standard will have on the financial statements.

GASB Statement No. 97 (GASB 97) – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32* was issued June 2020. This standard requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The standard relating to the accounting and financial reporting for Section 457 plans are effective for fiscal years ending after June 15, 2021.The Airport is currently evaluating the impact this standard will have on the financial statements.

GASB Statement No. 98 (GASB 98) – *The Annual Comprehensive Financial Report* was issued October 2021. This standard establishes the term annual comprehensive financial report (ACFR). That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The standard is effective for fiscal years ending after December 15, 2021. The Airport intends to adopt this standard at that time.

Note 2 - Cash, Cash Equivalents and Investments

Deposits:

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

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

In 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.

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

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

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 Treasurer's Office at www.spokanecounty.org or see RCW 36.29-020.

Investments:

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

All securities purchased by the Pool belong jointly to the Participants who share realized gains, income, and any realized losses on a pro-rata basis. The Investment Pool is not an investment in a money market or bank account, which typically has a lower-average maturity (under 60 days) and lower yield. The Investment Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation, Spokane County, or any other government agency. The interest earnings of the Pool, depends on amortized earnings and interest accruals at prevailing investment rates.

The use of amortized cost valuation mean that the Pool's stable $1.00 price value may vary from its market value NAV per share. In the unlikely event that the Spokane County Treasurer were to determine that the extent of the deviation between the Pool's amortized cost per share and market value NAV per share may result in material dilution or other unfair results to the shareholders, the County Treasurer may cause the Pool to take such action as it deems appropriate to eliminate or reduce dilutions that cause unfair results to participants.

The State of Washington Local Government Investment Pool is the only government-sponsored pool approved for investment of funds. At December 31, 2020 and 2019, the Airport had the following cash and investments. Cash and investments are classified on the statement of net position as follows:

	2020	2019
Cash	$ 263,210	$ 130,006
Unrestricted short-term investments	34,949,772	22,590,481
Restricted short-term investments, current portion	3,050,383	2,440,454
Restricted short-term investments, noncurrent	19,148,136	21,178,233
TOTAL	$ 57,411,501	$ 46,339,174

As of December 31, 2020 and 2019, the Spokane Airport has the following cash and investments:

	2020	2019
Petty Cash	$ 3,250	$ 4,650
Cash in bank	259,960	125,356
Funds invested in the Spokane County Investment Pool	57,148,291	46,209,168
TOTAL	$ 57,411,501	$ 46,339,174

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 400 and 420 days at December 31, 2020 and 2019, 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.

	2020	2019
Freddie Mac	-	8%
LGIP (State)	-	15%
Federal Home Loan Bank	13%	13%
United State Treasure Notes	25%	30%
Federal Farm Credit Bank	20%	15%
Corporate Bonds	6%	5%
Commercial paper	-	5%
Supranationals	6%	

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, 2020 and 2019:

	2020	2019
Washington State Local Government Investment Pool	16%	15%
Federal agency securities	65%	69%
Miscellaneous investments	0%	1%
Supranationals	10%	5%
Corporate paper	9%	5%
Commercial paper	0%	5%
	100%	100%

Cash balances:

The carrying value of the Airport's deposits with financial institutions as of December 31, 2020 and 2019, were $259,960 and $125,356 and the bank balances were $260,789 and $128,515 respectfully. The bank balance is categorized as follows:

	2020	2019
Amount insured by FDIC	$ 250,000	$ 128,515
Total Bank Balance	$ 260,789	$ 128,515

Restricted cash and short-term investments:

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

	2020	2019
Funds restricted for the retirement of the CERB Loans	$ 508,404	$ 498,714
Collected passenger facility charges, restricted for approved projects	3,114,088	6,011,910
Collected transaction fee, restricted for approved projects	15,574,274	14,710,278
Funds designated for retainages in escrow (cash in bank)	2,709,878	2,105,917
Refurbishment and fuel deposits	291,875	291,868
Total Restricted Cash and Short-Term Investments	$ 22,198,519	$ 23,618,687

Note 3 - Receivable from Government Agencies

The Airport has received grants for airport construction, improvements, and land acquisition, from the Federal Airport Improvement Program (AIP) and other state and federal grants. Cash collected for construction, land acquisition, and operational grants were $15,819,410 in 2020 and $6,362,730 in 2019. 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:

	2020	2019
Government receivable, beginning of year	$ 1,146,735	$ 3,949,153
Funds expended	14,822,950	3,560,312
	15,969,685	7,509,465
Less cash received	(15,819,410)	(6,362,730)
Government receivable, end of year	$ 150,275	$ 1,146,735

Note 4 - Inventory

At the end of 2020 and 2019, the Airport had a remaining supply of fuel and de-icing material, which was recorded as inventory using the FIFO accounting method. Inventory on December 31, 2020 and 2019, was $326,336 and $348,982, respectively.

Note 5 - Change in Capital Assets

A summary of changes in capital assets for the years ended December 31, 2020 and 2019, is as follows:

	Beginning Balance January 1, 2020	Additions	Deletions	Transfers	Ending Balance December 31, 2020
Nondepreciable Assets					
Land	$ 21,528,656		$ (424,464)		$ 21,104,192
Construction in progress	12,529,036	13,204,124		(10,198,397)	15,534,763
Total Nondepreciable Assets	34,057,692	13,204,124	(424,464)	(10,198,397)	36,638,955
Depreciable Assets					
Land improvements	262,686,401			1,076,773	263,763,174
Buildings	191,390,842		(1,342,196)	6,666,670	196,715,316
Equipment	72,870,461	173,793	(2,170,727)	2,378,185	73,251,712
Water and sewer facilities	4,496,850	-	-	76,769	4,573,619
Total Depreciable Assets	531,444,554	173,793	(3,512,923)	10,198,397	538,303,821
Less accumulated depreciation for:					
Land improvements	124,531,086	14,796,308		-	139,327,394
Buildings	107,178,353	6,430,295	(1,237,453)	-	112,371,195
Equipment	41,876,452	7,870,672	(2,168,146)	-	47,578,978
Water and sewer facilities	1,381,173	191,721		-	1,572,894
Total Accumulated Depreciation	274,967,064	29,288,996	(3,405,599)	-	300,850,461
Total Depreciable Capital Assets - net	256,477,490	(29,115,203)	(107,324)	10,198,397	237,453,360
Total Capital Assets - net	$ 290,535,182	$ (15,911,079)	$ (531,788)	$ -	$ 274,092,315

Note 5 - Change in Capital Assets (continued)

	Beginning Balance January 1, 2019	Additions	Deletions	Transfers	Ending Balance December 31, 2019
Nondepreciable Assets					
Land	$ 21,179,368	$ -	$ -	$ 349,288	$ 21,528,656
Construction in progress	10,575,108	34,897,743		(32,943,815)	12,529,036
Total Nondepreciable Assets	31,754,476	34,897,743	-	(32,594,527)	34,057,692
Depreciable					
Land improvements	251,985,740	10,160	(1,061,859)	11,752,360	262,686,401
Buildings	185,265,203	-	(560,161)	6,685,800	191,390,842
Equipment	59,254,850	889,964	(1,430,720)	14,156,367	72,870,461
Water and sewer facilities	4,496,850	-	-	-	4,496,850
Total Depreciable Assets	501,002,643	900,124	(3,052,740)	32,594,527	531,444,554
Less accumulated depreciation for:					
Land improvements	111,303,576	14,289,370	(1,061,860)	-	124,531,086
Buildings	101,054,494	6,661,742	(537,883)	-	107,178,353
Equipment	38,334,885	4,969,223	(1,427,656)	-	41,876,452
Water and sewer facilities	1,193,179	187,994	-	-	1,381,173
Total Accumulated Depreciation	251,886,134	26,108,329	(3,027,399)	-	274,967,064
Total Depreciable Capital Assets - net	249,116,509	(25,208,205)	(25,341)	32,594,527	256,477,490
Total Capital Assets - net	$ 280,870,985	$ 9,689,538	$ (25,341)	$ -	$ 290,535,182

Note 6 – Long-Term Debt

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

	2020			2019
	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.	$ 48,427	$ 249,498	$ 297,925	$ 345,873
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	$ 268,583	$ 313,347	$ 358,111
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	$ 906,667	$ 1,020,000	$ 1,133,333
2010 CERB loan, due in installments of increasing amounts July 31, 2015, through July 31, 2030, interest is payable annually at a rate of 0%. Proceeds of the loan were used to build an aircraft maintenance and paint hangar facility. Original principal amount $4,000,000.	$ 250,000	$ 2,250,000	$ 2,500,000	$ 2,750,000
Total Long-Term Debt	$ 456,524	$ 3,674,748	$ 4,131,272	$ 4,587,317

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
2021	$ 456,524	$ 11,213	$ 467,737
2022	457,009	9,714	466,723
2023	457,498	8,211	465,709
2024	457,992	6,702	464,694
2025	458,491	5,189	463,680
2026-2030	1,843,758	7,519	1,851,277
	$ 4,131,272	$ 48,548	$ 4,179,821

Pursuant to agreements executed with all airlines, landing fees are determined using a formula, which is based on, among other factors, the maintenance of the 1.3 ratio of net revenues to maximum annual debt service. The Airport was in compliance with this ratio in 2020.

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

	Balance at December 31, 2019	Increase	Decrease	Balance at December 31, 2020
2005 CERB loan payable	$ 345,873	$ -	$ (47,948)	$ 297,925
2006 CERB loan payable	358,111	-	(44,764)	313,347
2008 CERB loan payable	1,133,333	-	(113,333)	1,020,000
2010 CERB loan payable	2,750,000	-	(250,000)	2,500,000
Short Term Loan	-	7,200,000	(7,200,000)	-
	$ 4,587,317	$ 7,200,000	$ (7,656,045)	$ 4,131,272

	Balance at December 31, 2018	Increase	Decrease	Balance at December 31, 2019
2005 CERB loan payable	$ 393,346	$ -	$ (47,473)	$ 345,873
2006 CERB loan payable	402,875	-	(44,764)	358,111
2008 CERB loan payable	1,246,667	-	(113,334)	1,133,333
2010 CERB loan payable	3,000,000	-	(250,000)	2,750,000
	$ 5,042,888	$ -	$ (455,571)	$ 4,587,317

Short Term Promissory Note

The Airport has a revolving short-term promissory note for $7,200,000 with Spokane County Investment Pool. The maturity date is not more than 365 days from the date the short term promissory note is executed. The note was secured to help with cashflow if needed during the pandemic. If the Airport were to default on a payment, Spokane County is authorized to transfer a principal and interest payment from the Airport's fund with the County. The interest rate set by the Spokane Treasurer's Office when the note is executed on April 17, 2020 was 0.515%. As of December 31, 2020, the balance owing on the revolving short-term promissory note was $0.

Note 6 – Long Term Debt (Continued)

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

	Balance at December 31, 2019	Increase	Decrease	Balance at December 31, 2020
Deposits	$ 291,869	$ 6	$ -	$ 291,875
Accrued environmental liabilities	2,221,543	-	(114,600)	2,106,943
Accrued postretirement benefits	3,057,956	429,994	(8,830)	3,479,120
Pension liability	2,214,795	170,722	(146,074)	2,239,443
Compensated absences	1,181,532	60,664	(346,580)	895,616
	$ 8,967,695	$ 661,386	$ (616,084)	$ 9,012,997

	Balance at December 31, 2018	Increase	Decrease	Balance at December 31, 2019
Deposits	$ 285,583	$ 7,122	$ (836)	$ 291,869
Accrued environmental liabilities	2,400,716	-	(179,173)	2,221,543
Accrued postretirement benefits	2,477,666	584,214	(3,924)	3,057,956
Pension liability	2,784,886	-	(570,091)	2,214,795
Compensated absences	1,170,906	130,893	(120,267)	1,181,532
	$ 9,119,757	$ 722,229	$ (874,291)	$ 8,967,695

The estimated current portion of compensated absences for 2020 and 2019 was $77,007 and $46,886.

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, 2020 and 2019, were $32,886 and $24,609, respectively.

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

Years ending December 31,	
2021	$ 36,867
Total	$ 36,867

Note 8 - Pension and Benefit Plans

Pensions:

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

Note 8 - Pension and Benefit Plans (Continued)

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2020 and 2019:

Aggregate Pension Amounts - All Plans			
		2020	2019
Pension liabilities	$	(2,239,443)	(2,214,795)
Pension assets	$	2,048,711	2,272,227
Deferred outflows of resources	$	1,111,108	1,014,822
Deferred inflows of resources	$	(930,832)	(1,911,348)
Pension expense/expenditures	$	198,226	282,783

State Sponsored Pension 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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Public Employees' Retirement System (PERS)

Plan Description:

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

Pension Benefits:

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

Contributions:

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 were as follows:

Note 8 - Pension and Benefit Plans (Continued)

PERS Plan 1	2020	2020		2019	2019
Actual Contribution Rates	**Employer**	**Employee***		**Employer**	**Employee***
Jan – Aug 2020			Jan – Jun 2019		
PERS Plan 1	7.92%	6.00%		7.52%	6.00%
PERS Plan 1 UAAL	4.76%			5.13%	
Administrative Fee	0.18%			0.18%	
Total	**12.86%**	**6.00%**		**12.83%**	**6.00%**
Sep – Dec 2020			Jul – Dec 2019		
PERS Plan 1	7.92%	6.00%		7.92%	6.00%
PERS Plan 1 UAAL	4.87%			4.76%	
Administrative Fee	0.18%			0.18%	
Total	**12.97%**	**6.00%**		**12.86%**	**6.00%**

The Spokane Airport Board's actual contributions to the plan were $303,072 and $318,571 for the years ended December 31, 2020 and 2019, respectively.

Pension Benefits:

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

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

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

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

Contributions:

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

Note 8 - Pension and Benefit Plans (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 are as follows:

PERS Plan 2/3	2020	2020		2019	2019
Actual Contribution Rates	**Employer 2/3**	**Employee 2/3**		**Employer 2/3**	**Employee 2/3**
Jan – Aug 2020			Jan – Jun 2019		
PERS Plan 2/3	7.92%	7.41%		7.52%	7.41%
PERS Plan 1 UAAL	4.76%			5.13%	
Administrative Fee	0,18%			0.18%	
Employee PERS Plan 3		Varies			Varies
Total	**12.86%**	**7.41%**		**12.83%**	**7.41**
Sep – Dec 2020			Jul – Dec 2019		
PERS Plan 2/3	7.92%	7.90%		7.92%	7.90%
PERS Plan 1 UAAL	4.87%			4.76%	
Administrative Fee	0.18%			0.18%	
Employee PERS Plan 3		Varies			Varies
Total	**12.97%**	**7.90%**		**12.83%**	**7.9**

The Spokane Airport Board's actual contributions to the plan were $500,492 and $497,916 for the years ended December 31, 2020 and 2019, respectively.

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

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

Plan Description and Benefits:

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

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

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

Contributions:

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

Note 8 - Pension and Benefit Plans (Continued)

Plan Description and Benefits:

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

Contributions:

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as July 1, 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 were as follows:

LEOFF Plan 2	**2020**	**2020**		**2019**	**2019**
Actual Contribution Rates	**Employer**	**Employee**		**Employer**	**Employee**
Jan – Dec 2020			Jan – Jun 2019		
State and local governments	5.15%	8.59%		5.25%	8.75%
Administrative Fee	0.18%			0.18%	
Total	**5.43%**	**8.59%**		**5.43%**	**8.75%**
			Jul – Dec 2019		
State and local governments				5.15%	8.59%
Administrative Fee				0.18%	
Total				**5.33%**	**8.59%**

The Spokane Airport Board's actual contributions to the plan were $135,960 and $134,741 for the years ended December 31, 2020 and 2019, respectively.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2020, the state contributed $76,297,643 to LEOFF Plan 2. SIA's portion of the state contribution is $87,344.

Actuarial Assumptions:

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2019 Economic Experience Study*.

Note 8 - Pension and Benefit Plans (Continued)

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

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

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

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

  OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate:

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return:

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Note 8 - Pension and Benefit Plans (Continued)

Estimated Rates of Return by Asset Class:

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL:

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 1,908,755	$ 1,523,887	$ 1,188,242
PERS 2/3	4,452,380	715,556	(2,361,721)
LEOFF 1	(508,166)	(624,322)	(724,817)
LEOFF 2	(28,199)	(1,424,389)	(2,567,591)

Pension Plan Fiduciary Net Position:

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

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

At December 31, 2020 and 2019, the Spokane Airport Board reported a total pension liability and pension assets are as follows:

	2020	2019
	Liability (or Asset)	Liability (or Asset)
PERS 1	$ 1,523,887	$ 1,669,961
PERS 2/3	715,556	544,834
LEOFF 1	(624,322)	(648,526)
LEOFF 2	(1,424,389)	(1,623,701)

Note 8 - Pension and Benefit Plans (Continued)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the Airport. The amount recognized by the Airport as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the Airport were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	$ 624,322	$ 1,424,389
State's proportionate share of the net pension asset associated with the employer	4,222,900	910,789
TOTAL	$ 4,847,222	$ 2,335,178

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.043163%	0.043428%	0.000265%
PERS 2/3	0.055949%	0.056091%	0.000142%
LEOFF 1	0.033059%	0.032810%	(0.000249%)
LEOFF 2	0.069828%	0.070087%	0.000259%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by OSA. In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

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

Pension Expense:

For the year ended December 31, 2020 and 2019, the Spokane Airport Board recognized pension expense as follows:

	2020	2019
	Pension Expense	Pension Expense
PERS 1	$ 62,683	$ 150,363
PERS 2/3	94,579	119,538
LEOFF 1	(36,498)	(41,009)
LEOFF 2	77,462	53,892
TOTAL	$ 198,226	$ 282,783

Note 8 - Pension and Benefit Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date of the net pension liability/collective net pension liability but before the end of the Airport's reporting period will be recognized as a reduction of the net pension liability/collective net pension liability in the year ending December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The average of the expected remaining service lives of all employees in PERS 1 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 1 year.

PERS 1	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(8,484)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	147,441	-
TOTAL	$ 147,441	$ (8,484)

PERS 1	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(111,567)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	156,209	-
TOTAL	$ 156,209	$ (111,567)

The average of the expected remaining service lives of all employees in PERS 2/3 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 7.2 years.

Note 8 - Pension and Benefit Plans (Continued)

PERS 2/3	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 256,156	$ (89,676)
Net difference between projected and actual investment earnings on pension plan investments	-	(36,340)
Changes of assumptions	10,192	(488,787)
Changes in proportion and differences between contributions and proportionate share of contributions	128,706	(35,575)
Contributions subsequent to the measurement date	241,542	
TOTAL	$ 636,596	$ (650,378)

PERS 2/3	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 156,096	$ (117,139)
Net difference between projected and actual investment earnings on pension plan investments	-	(793,057)
Changes of assumptions	13,951	(228,594)
Changes in proportion and differences between contributions and proportionate share of contributions	161,176	(42,758)
Contributions subsequent to the measurement date	259,910	-
TOTAL	$ 591,133	$ (1,181,548)

The average of the expected remaining service lives of all employees in LEOFF 1 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 1 year.

LEOFF 1	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(6,530)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	$ -	$ (6,530)

Note 8 - Pension and Benefit Plans (Continued)

LEOFF 1	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(67,233)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	$ -	$ (67,233)

The average of the expected remaining service lives of all employees in LEOFF 2 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017, the beginning of the measurement period ended June 30, 2018, is 10.6 years.

LEOFF 2	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 197,088	$ (25,263)
Net difference between projected and actual investment earnings on pension plan investments	-	(15,876)
Changes of assumptions	2,064	(220,559)
Changes in proportion and differences between contributions and proportionate share of contributions	59,816	(3,742)
Contributions subsequent to the measurement date	68,101	
TOTAL	$ 327,069	$ (265,440)

LEOFF 2	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 116,840	$ (29,198)
Net difference between projected and actual investment earnings on pension plan investments	-	(332,909)
Changes of assumptions	2,675	(182,718)
Changes in proportion and differences between contributions and proportionate share of contributions	78,868	(6,176)
Contributions subsequent to the measurement date	69,098	-
TOTAL	$ 267,481	$ (551,001)

Deferred outflows of resources related to pensions resulting from the Spokane Airport Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Note 8 - Pension and Benefit Plans (Continued)

Year ended December 31:	PERS 1
2021	$ (38,502)
2022	$ (1,211)
2023	$ 11,748
2024	$ 19,481
2025	$ -
Thereafter	$ -

Year ended December 31:	PERS 2/3
2021	$ (272,597)
2022	$ (46,657)
2023	$ 37,033
2024	$ 74,333
2025	$ (15,928)
Thereafter	$ (31,508)

Year ended December 31:	LEOFF 1
2021	$ (23,312)
2022	$ (1,215)
2023	$ 6,628
2024	$ 11,369
2025	$ -
Thereafter	$ -

Year ended December 31:	LEOFF 2
2021	$ (82,418)
2022	$ (9,042)
2023	$ 26,132
2024	$ 52,709
2025	$ (4,523)
Thereafter	$ 10,670

Postretirement Health Care Plan

Benefits Other than Pensions:

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

Aggregate OPEB Amounts - All Plans		
	2020	2019
OPEB liabilities	$ 3,461,120	$ 3,031,126
OPEB assets	$ -	$ -
Deferred outflows of resources	$ 1,540,384	$ 1,157,628
Deferred inflows of resources	$ 829,530	$ 903,232
OPEB expense/expenditures	$ 136,829	$ 30,263

The most recent actuarial evaluation was performed on October 5, 2021 for the year ended December 31, 2020.

Note 8 - Pension and Benefit Plans (Continued)

Plan description:

The Airport sponsors and administers a single employer defined benefit postretirement health care plan (Spokane Airport Firefighters OPEB Plan) for firefighters retiring under the Washington LEOFF 1 retirement plan. 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 full coverage medical and dental insurance to the retired firefighters. The Airport pays 100% of the premiums, employee deductibles, and co-insurance payments from the time of retirement until death. An employee is eligible for retirement with five years of service at the age of 50.

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

Type of employee	Amount
Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	11

The Plan is closed to all new entrants. The accrued benefit liability is determined using the entry age normal cost method.

Funding policy:

The Airport has not established a trust fund to supplement the cost of OPEB obligation. The Airport pays benefits on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. 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, 2020 and 2019, using the entry age normal cost method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $3,461,120 and $3,031,126, respectively, all of which was unfunded.

Note 8 - Pension and Benefit Plans (Continued)

Assumptions and Other Inputs:

The following actuarial methods and assumptions were made:

Assumption/Input	Value
Valuation Date	12/31/2020
Measurement Date	12/31/2020
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	15
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	2.75% at 12-31-2019 2.00% at 12-31-2020
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	2.00%
Retirement Age	55
Mortality Table	RP-2014 Mortality with 2020 Improvement Rate
Turnover Table	T2 Table
Salary changes	Not applicable

The following presents the total OPEB liability of the Airport calculated using the current healthcare cost trend rate of 9.0 percent decreasing to 5.0 percent as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (8.0 percent) or 1-percentage point higher (10.0 percent) that the current rate.

	1% Decrease 8% decreasing to 5.0%	Current Healthcare Cost Trend Rate 9% decreasing to to 5.0%	1% Increase 10% decreasing to 5.0%
Total OPEB Liability	$ 3,827,506	$ 3,461,120	$ 3,147,404

The following presents the total OPEB liability of the Airport calculated using the discount rate of 3.83 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.83 percent) or 1-percentage point higher (4.83 percent) that the current rate.

	1% Decrease (1.75%)	Current Discount Rate (2.00%)	1% Increase (3.75%)
Total OPEB Liability	$ 3,290,457	$ 3,461,120	$ 3,675,054

Note 8 - Pension and Benefit Plans (Continued)

Changes in the Total OPEB Liability:

Spokane Airport Firefighter OPEB Plan	
Total OPEB Liability at 01/01/2020	$ 3,031,126
Service cost	-
Interest	81,111
Changes of benefit terms	0
*Differences between expected and actual experience	326,458
*Changes of assumptions	185,718
Benefit payments	(163,293)
Other changes	-
Total OPEB Liability at 12/31/2020	3,461,120

The following table summarizes changes that may have affected the OPEB liability:

Changes	Value
Assumptions/inputs	N/A
Benefits	N/A

The benefit payments in the measurement period attributable to the purchase of insurance contract for the year ending December 31, 2020 totaled $163,293. The insurance provided full coverage to the retired firefighters. Under the insurance contract, payment of benefits has been transferred from the Airport to Kaiser Permanente and Washington Delta Dental.

The amount of OPEB expense recognized by the Airport for the reporting period ending December 31, 2020 was $136,829.

At December 31, 2020, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,021,194	$ 535,796
Changes of assumptions	$ 519,190	$ 293,734
Payments subsequent to the measurement date	$ -	$ -
TOTAL	$ 1,540,384	$ 829,530

Deferred outflows of resources of $0 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 8 - Pension and Benefit Plans (Continued)

Year ended December 31:	Spokane Airport Firefighters OPEB Plan
2021	$ 55,717
2022	$ 55,717
2023	$ 55,717
2024	$ 55,717
2025	$ 55,717
Thereafter	$ 432,269

Termination Benefits:

On July 20, 2015 the January 1, 2014 through December 31, 2018 Local #29 International Association of Firefighter union contract was signed. The agreement offered a voluntary early retirement incentive to five eligible employees. The early retirement program consisted of: one-time incentive payment of $95,000, a financial advisor allowance of $500, and a one-time contribution for medical benefits payable to a Health Reimbursement Account (HRA) in the amount of $18,000 per employee. Three employees exercised their option to retire in 2015 and one employee exercised their option to retire prior to December 31, 2016. The balance of the liability for terminated benefits at December 31, 2020 and 2019 was $18,000 and $26,830.

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 $262,167 and $188,715 for the years ended December 31, 2020 and 2019, respectively.

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

The fair value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were approximately $3,780,648 and $3,241,013 at December 31, 2020 and 2019, 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 2020 and 2019, the Airport recognized income of $18,099,005 and $21,385,540, respectively, as a result of these leases.

Note 10 - Rental Income Under Operating Leases (continued)

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

Years ending December 31,		
2021	$	9,513,028
2022		7,164,467
2023		3,149,535
2024		2,643,527
2025		2,331,335
Thereafter		21,816,709
Total future minimum rental payments	$	46,618,601

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 $180,954 and $1,850,508 in 2020 and 2019, respectively.

Landing fees received under agreements with all airlines amounted to $4,867,438 and $6,532,992 in 2020 and 2019, respectively.

Note 11 - Related Party Leases

The Airport has non-cancelable operating land lease agreements with the City of Spokane (City), a related party. The Airport recognized income of $141,357 in 2020 and $141,412 in 2019 as a result of the land leases. The Airport purchases various utilities and permits from the City. In 2020 and 2019 those amounts totaled $209,917 and $256,271, respectively.

The Airport has operating lease agreements with various entities within Spokane County (County), a related party. During 2020 and 2019, the Airport recognized income of $375,367 and $378,803, respectively, under the lease agreements. The Airport purchases various services from the County. In 2020 and 2019, those amounts totaled $9,310 and $10,632, respectively.

The Airport purchases the majority of its electrical power from Avista Utilities. During 2020 and 2019, employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities $1,697,655 and $1,637,654 in 2020 and 2019, respectively. The Airport received revenue from Avista for 2020 and 2019 in the amount of $17,503 and $17,583.

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

Note 12 – Environmental Liability

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

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

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

The Airport has multiple test wells and has retained engineering firms to monitor surface water and groundwater quality to determine the environmental impact of current aircraft and runway deicing practices. Based on these studies and discussions with the Department of Ecology, in April 2010, an application for a State Waste Discharge Permit for Discharge of Industrial Wastewater to Groundwater was submitted on July 11, 2011, and a temporary permit was granted on November 7, 2011.

In July 2015, the Airport submitted to the Department of Ecology an application to land apply recovered aircraft deicing fluid (ADF). Ecology has acknowledged receipt of the application and a review period began monitoring of the effect of land application of ADF. On February 19, 2019 the Airport submitted an updated permit and application that reflected changes to the collection, treatment and discharge of the ADF-containing storm water. Department of Ecology accepted the application as complete on February 26, 2019. Ecology has authorized the Airport to continue to discharge residual ADF-containing storm water to the storm water infiltration area.

The Airport has estimated an environmental liability in the amount of $2,106,943 and $2,221,543 as of December 31, 2020 and 2019, 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, 2020, 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.

Note 13 - Contingencies and Commitments

Commitments:

During the fiscal year 2020, the Airport entered into various construction and service related contracts totaling $10,756,64 with remaining commitments totaling $6,713.600 at December 31, 2020.

Economic Events:

During 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. On February 29, 2020 Governor Inslee declared a state of emergency in response to the outbreak of COVID-19 cases in Washington. Later the next month, on March 25, 2020, Governor Inslee issued a “Stay Home, Stay Healthy” order prohibiting all people in Washington State from leaving their homes except to conduct or participate in essential actives or for employment in essential business services. This order was subsequently extended until May 31, 2020. After the “Stay Home, Stay Healthy” order expired, the State issued a “Safe Start” to reopen economies for each county in the state.

On March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Stimulus (CARES) Act, which includes $10 billion of funding to support U.S. airports experiencing severe financial distress due to the economic disruption caused by the COVID-19 pandemic.

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:

	2020	2019
Long-term assets		
Land	$ 21,104,192	$ 21,528,656
Construction in process	15,534,763	12,529,036
Depreciable capital assets, net	237,453,360	256,477,490
Total capital assets	$ 274,092,315	$ 290,535,182
Less related liabilities		
Construction Retainage Payable	$ 1,213,879	$ 1,322,748
Construction Warrants Payable	1,492,750	783,168
Current portion of long-term debt	456,524	455,570
Long-term debt	3,674,748	4,131,747
Total liabilities	6,837,901	6,693,233
INVESTED IN CAPITAL ASSETS	$ 267,254,414	$ 283,841,949

Note 15 – Net Position (continued)

Restricted net position consists of the following:

	2020	2019
Passenger facility charge, investments, restricted for approved projects	$ 3,114,088	$ 6,011,910
Customer Facility Charges	15,574,274	14,710,278
Investments restricted for repayment on debt	45,718	36,120
Cash restricted for retainages, deposits, and grants	2,998,503	2,397,785
Receivable from government Agency	150,275	1,146,735
Net Pension Asset	2,048,711	2,272,227
RESTRICTED NET POSITION	$ 23,931,569	$ 26,575,055

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 2020 and in 2019.

Note 17 - Subsequent Events

Contracts:

In 2021, the Airport Board approved the following contracts:

Construction contracts	$ 31,412,120
Service contracts	9,680,205
Consulting contracts	197,891
Goods purchases	2,965,769
Total Contracts	$ 44,255,985

Economic Events:

Spokane International Airport and Felts Field Airport have been awarded $29.66 million dollars under the CARES Act to help lessen the significant financial losses resulting from the pandemic and the adverse impact to air travel. On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was passed by the Federal Government. SIA and Felts Field were awarded a combined $6.23 million to be used to offset the financial impact of the pandemic. On March 11, 2021, the American Rescue Plan Act of 2021, referred to as ARPA, was signed into law by the Federal Government to speed up the country's recovery from the pandemic. SIA and Felts Field were awarded a combined amount of $16.86 million. Additionally, on November 15, 2021, the Bipartisan Infrastructure Law (BIL) was signed into law. The Airport was awarded a combined $6.72 million annually over the next 5 years for SIA and Felts Field. Furthermore, the Airport may pursue additional funding for capital projects from BIL that specifically allocates funding to modernize the nation's airport system.

Given the actions taken by the Federal Government, the Airport estimates the pandemic will have a much smaller negative impact on the financial statements in the short term than was originally projected. The recovery from the pandemic is forecasted to occur over the next couple years, however, the recovery environment remains dynamic. The Airport saw a dramatic increase in passenger activity in 2021 over 2020. The increase in passenger traffic along with the cost saving measures implemented by the Airport at the outset of the pandemic have resulted in the Airport's financial strength being in a good position as recovery continues.

Required Supplemental Information

State Sponsored Pension Plans

Schedule of Proportionate Share of the Net Pension Liability
As of June 30

PERS 1	2020	2019	2018
Employer's proportion of the net pension liability (asset)	0.043163%	0.043428%	0.041895%
Employer's proportionate share of the net pension liability	$ 1,523,887	$ 1,669,961	$ 1,871,045
Employer's covered payroll	6,551,262	6,144,088	5,584,050
Employer's proportionate share of the net pension liability as a percentage of covered payroll	23.26%	27.18%	33.51%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%

PERS 2/3	2020	2019	2018
Employer's proportion of the net pension liability (asset)	0.055949%	0.056091%	0.053522%
Employer's proportionate share of the net pension liability	$ 715,556	$ 544,834	$ 913,841
Employer's covered payroll	6,551,262	6,144,088	5,584,050
Employer's proportionate share of the net pension liability as a percentage of covered payroll	10.92%	8.87%	16.37%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%

LEOFF 1	2020	2019	2018
Employer's proportion of the net pension liability (asset)	0.033059%	0.032810%	0.032389%
Employer's proportionate share of the net pension liability	$ (624,322)	$ (648,526)	$ (588,023)
Employer's covered payroll	-	-	-
State's proportionate share of the net pension liability (asset) associated with the employer	$ (4,222,900)	$ (4,386,614)	$ (3,977,373)
TOTAL	$ (4,847,222)	$ (5,035,140)	$ (4,565,396)
Employer's covered payroll	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	146.88%	148.78%	144.42%

LEOFF 2	2020	2019	2018
Employer's proportion of the net pension liability (asset)	0.069828%	0.070087%	0.071336%
Employer's proportionate share of the net pension liability	$ (1,424,389)	$ (1,623,701)	$ (1,448,276)
State's proportionate share of the net pension liability (asset) associated with the employer	(910,784)	(1,063,306)	(937,732)
TOTAL	$ (2,335,173)	$ (2,687,007)	$ (2,386,008)
Employer's covered payroll	2,659,260	2,471,461	2,372,143
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-87.81%	-108.72%	-100.58%
Plan fiduciary net position as a percentage of the total pension liability	115.83%	119.43%	118.50%

State Sponsored Pension Plans (Continued)

2017	2016	2015	2014
0.042622%	0.040130%	0.039292%	0.041972%
$ 2,022,447	$ 2,155,170	$ 2,072,175	$ 2,112,914
5,960,060	4,868,988	4,524,442	4,617,726
33.93%	44.26%	45.80%	45.76%
61.24%	57.03%	59.10%	61.19%

2017	2016	2015	2014
0.054863%	0.051356%	0.050566%	0.053087%
$ 1,906,227	$ 2,585,734	$ 1,838,537	$ 1,075,519
5,960,060	4,868,988	4,515,039	4,587,162
31.98%	53.11%	40.72%	23.45%
90.97%	85.82%	89.20%	93.29%

2017	2016	2015	2014
0.032609%	0.034301%	0.035194%	0.036583%
$ (494,750)	$ (353,398)	$ (424,165)	$ (443,675)
-	-	-	23,038
$ (3,346,479)	$ (2,390,378)	$ (2,869,042)	$ (3,001,007)
$ (3,841,229)	$ (2,743,776)	$ (3,293,207)	$ (3,444,682)
-	-	-	-
0.00%	0.00%	0.00%	0.00%
135.96%	123.74%	127.36%	126.91%

2017	2016	2015	2014
0.074294%	0.073676%	0.082249%	0.080339%
$ (1,030,960)	$ (428,522)	$ (839,853)	$ (1,060,517)
(668,764)	(279,365)	(555,133)	$ (692,922)
$ (1,699,724)	$ (707,887)	$ (1,394,986)	$ (1,753,439)
2,476,968	2,278,302	2,384,962	2,256,310
-68.62%	-31.07%	-58.49%	-77.71%
113.36%	106.04%	111.67%	116.75%

State Sponsored Pension Plans (Continued)

Schedule of Employer Contributions
As of December 31

PERS 1	2020	2019	2018
Statutorily or contractually required contributions	$ 303,072	$ 318,572	$ 290,805
Contributions in relation to the statutorily or contractually required contributions	303,072	318,572	290,805
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	6,319,335	6,144,088	5,741,232
Contributions as a percentage of covered payroll	4.80%	5.19%	5.07%

PERS 2/3	2020	2019	2018
Statutorily or contractually required contributions	$ 500,492	$ 497,916	$ 430,625
Contributions in relation to the statutorily or contractually required contributions	500,492	497,916	430,625
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	6,319,335	6,144,088	5,741,232
Contributions as a percentage of covered payroll	7.92%	8.10%	7.50%

LEOFF 1	2020	2019	2018
Statutorily or contractually required contributions	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	-	-	-
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

LEOFF 2	2020	2019	2018
Statutorily or contractually required contributions	$ 135,958	$ 134,741	$ 125,868
Contributions in relation to the statutorily or contractually required contributions	135,958	134,741	125,868
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	2,639,947	2,471,461	2,397,478
Contributions as a percentage of covered payroll	5.15%	5.45%	5.25%

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

State Sponsored Pension Plans (Continued)

2017	2016	2015	2014 *
$ 271,541	$ 245,770	$ 205,343	$ 182,726
271,541	245,770	205,343	182,726
$ -	$ -	$ -	$ -
5,538,859	5,193,812	4,669,550	4,543,077
4.90%	4.73%	4.40%	4.02%

2017	2016	2015	2014 *
$ 380,628	$ 321,470	$ 263,805	$ 227,331
380,628	321,470	263,805	227,331
$ -	$ -	$ -	$ -
5,538,859	5,193,812	4,669,550	4,543,077
6.87%	6.19%	5.65%	5.00%

2017	2016	2015	2014 *
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
-	-	-	-
0.00%	0.00%	0.00%	0.00%

2017	2016	2015	2014 *
$ 120,068	$ 112,905	$ 119,085	$ 119,032
120,068	112,905	119,085	119,032
$ -	$ -	$ -	$ -
2,330,224	2,235,741	2,358,113	2,357,062
5.15%	5.05%	5.05%	5.05%

Other Postemployment Health Care Benefits (Continued)

The following information is based on an actuarial report prepared on October 5, 2021, for the fiscal years ending December 31, 2020 and 2019.

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31, 2020

Last 10 Fiscal Years*

	2020	2019
Total OPEB liability - Beginning	$ 3,031,126	$ 2,446,912
Service cost	-	-
Interest	81,111	91,028
Changes in benefit terms	-	113,328
Differences between expected and actual experience	326,458	356,852
Changes of assumptions	185,718	163,432
Benefit payments	(163,293)	(140,426)
Other changes		
Total OPEB liability - ending	3,461,120	3,031,126
Plan fiduciary net position		
Contribution	$ 163,293	$ 140,426
Net Investment Income		-
Benefit Payments	(163,293)	(140,426)
Administrative Expense	-	-
Other	-	-
Net Change in Fiduciary Net Position	-	-
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending	-	-
Net OPEB Liability	3,461,120	3,031,126
Plan Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%
Covered-employee payroll	$ -	$ -
Total OPEB liability as a % of covered payroll	N/A	N/A

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Other Postemployment Health Care Benefits (Continued)

2018	2017	2016
$ 3,062,684	$ 3,202,985	$ 2,961,892
-	-	-
98,577	117,440	86,200
-	-	-
(430,493)	(261,003)	613,175
(132,858)	145,743	(281,172)
(150,998)	(142,481)	(177,110)
2,446,912	3,062,684	3,202,985
$ 150,998	$ 142,481	$ 142,481
-	-	-
(150,998)	(142,481)	(142,481)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,446,912	3,062,684	3,202,985
0.00%	0.00%	0.00%
$ -	$ -	$ -
N/A	N/A A	N/A

Other Postemployment Health Care Benefits (Continued)

The following actuarial methods and assumptions were made:

Assumption/Input	Value
Valuation Date	12/31/2020
Measurement Date	12/31/2020
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	15
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	2.75% at 12-31-2019 2.00% at 12-31-2020
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	2.00%
Retirement Age	55
Mortality Table	RP-2014 Mortality with 2020 Improvement Rate
Turnover Table	T2 Table
Number of Participants in plan	11
Changes in Benefits	None
Salary changes	Not applicable

MOSSADAMS

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 the Spokane Airport Board (Airport), which comprise the statement of net position as of and for the year ended December 31, 2020, 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 February 28, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of Airport’s internal control.

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

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

Report on 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 financial statements. 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
February 28, 2022

SPOKANE AIRPORT BOARD
9000 West Airport Drive
Spokane, WA 99224