



**ANNUAL REPORT**

**SPOKANE**

**AIRPORT BOARD**

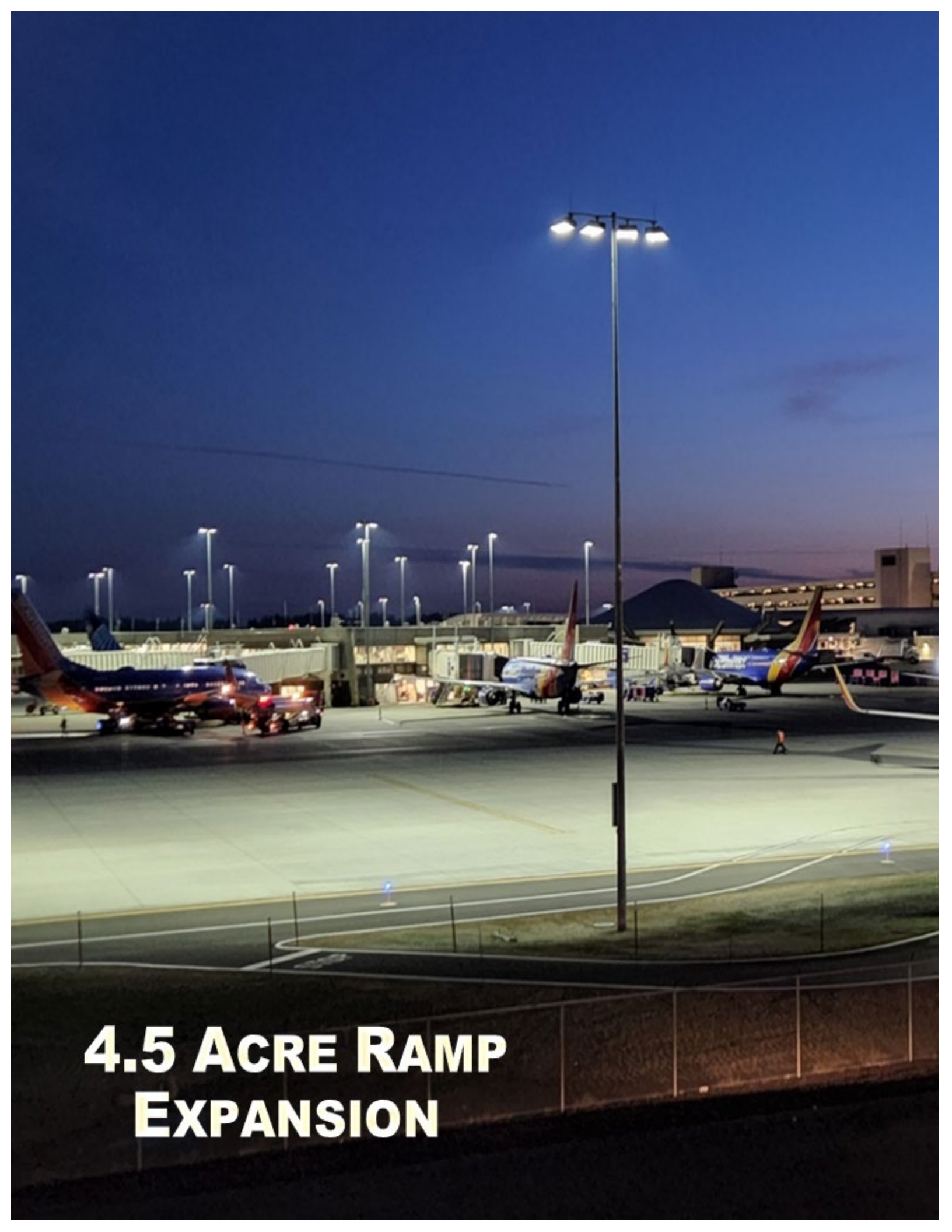
**2021**

# RECOVERY . . .





# CONSTRUCTION OF PRIME AIR FACILITY



# 4.5 ACRE RAMP EXPANSION

# Annual Financial Statements

For the years ending  
December 31, 2021 and 2020



Prepared By

Rob Schultz, Chief Financial Officer

Charlie Pflieger, CPA, Accounting Manager

Christi Smith, CPA, Accountant

Sarah DeFord, Accountant

Spokane, Washington



# Table of Contents

## INTRODUCTORY SECTION

<b>Spokane Airport Board</b>	1
------------------------------	---

## FINANCIAL SECTION

Independent Auditor's Report	2
Management Discussion and Analysis	5
Statement of Net Position	13
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	17
Notes to the Financial Statements	19
Note 1 - Significant Accounting Policies	19
Note 2 - Cash, Cash Equivalents and Investments	24
Note 3 - Receivable from Government Agencies	28
Note 4 - Inventory	28
Note 5 - Change in Capital Assets	28
Note 6 - Long-Term Debt	30
Note 7 - Operating Leases	32
Note 8 - Pension and Benefit Plans	32
Note 9 - Deferred Compensation	46
Note 10 - Rental Income Under Operating Leases	46
Note 11 - Related Party Leases	47
Note 12 - Environmental Liability	47
Note 13 - Contingencies and Commitments	48
Note 14 - Grants	48
Note 15 - Net Position	49
Note 16 - Risk Management	49
Note 17 - Subsequent Events	49

## REQUIRED SUPPLEMENTARY INFORMATION

State Sponsored Pension Plans	52
Other Postemployment Health Care Benefits	56
Report of Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59

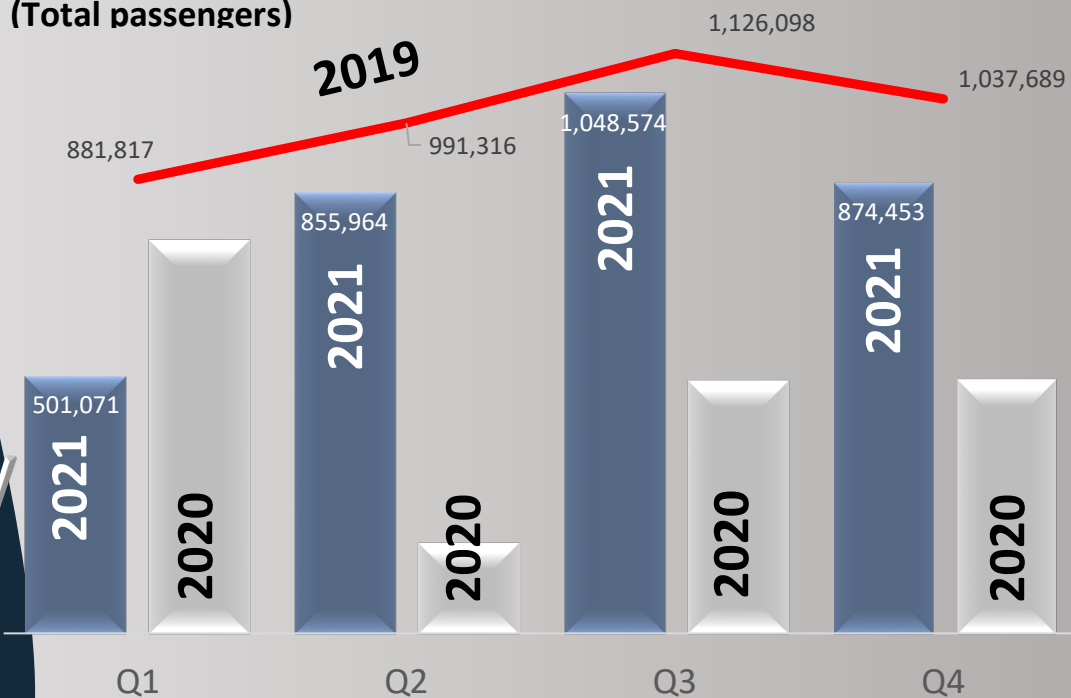






# Passengers Recovery

(Total passengers)



Introductory  
Section



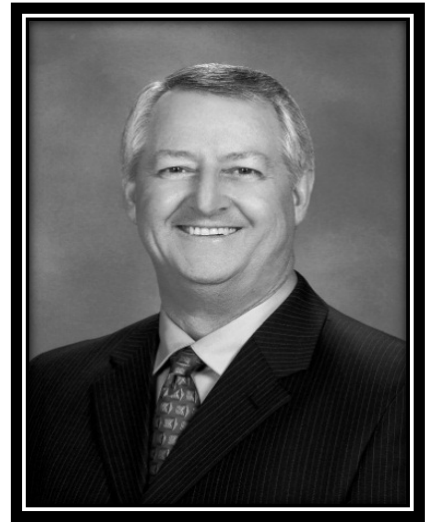
# Spokane Airport Board



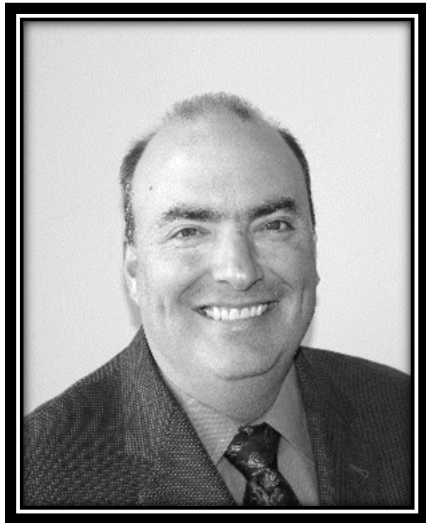
**EZRA ECKHART**  
**CHAIR**



**COLLINS SPRAGUE**  
**VICE CHAIR**



**AL FRENCH**  
**SECRETARY**



**MAX KUNEY**



**BREEAN BEGGS**



**NANCY VORHEES**



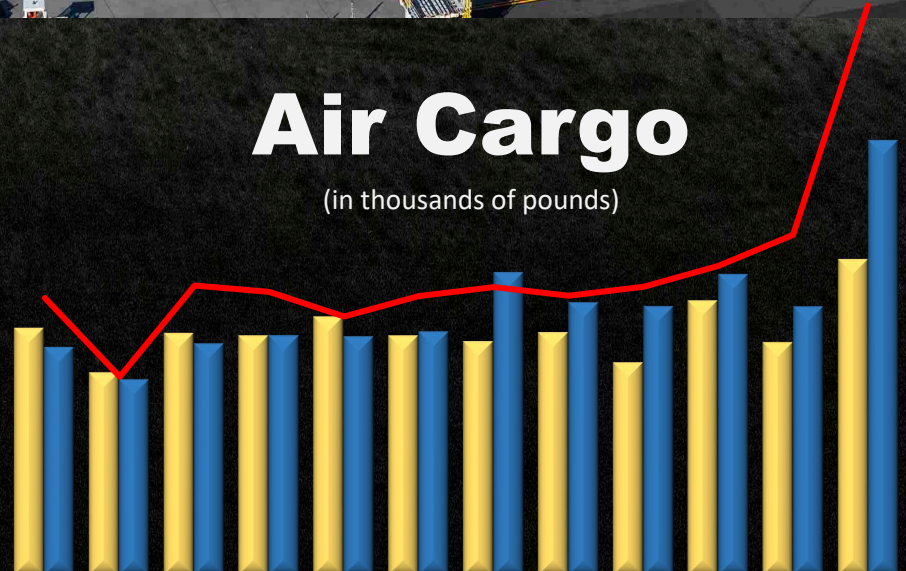
**JENNIFER WEST**





# Air Cargo

(in thousands of pounds)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	11,521	10,169	11,362	11,289	11,859	11,289	11,112	11,388	10,466	12,352	11,086	13,610
2020	10,975	9,992	11,082	11,327	11,298	11,443	13,247	12,331	12,218	13,189	12,205	17,259
2021	12,443	10,036	12,823	12,626	11,871	12,501	12,773	12,509	12,785	13,419	14,365	21,361

Financial  
Section



## Report of Independent Auditors

The Board of Directors  
Spokane Airport Board

### Report on the Audit of the Financial Statements

#### *Opinion*

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, 2021 and 2020, 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 as listed in the table of contents.

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, 2021 and 2020, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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



### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and is not a required part of the financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 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, and 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  
August 26, 2022

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

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 operated by Spokane Airport Board and referred to throughout this document as the Airport. It serves as an introduction to, and provides understanding of, the basic financial statements for the year ended December 31, 2021, with selected comparative information from the years ended December 31, 2020 and December 31, 2019.

SIA, ABP, and Felts Field are jointly owned by the City and County of Spokane (the City and County) and operated by the Spokane Airport Board through the *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; U.S. Postal Service Regional Processing and Distribution Center and Amazon Air as well as a number of tenants that include regional banks, small businesses, and other government agencies. Felts Field (SFF) serves as a Federal Aviation Administration (FAA) designated general aviation reliever airport for Spokane International Airport and is the highest-capability general aviation airport in the region, with instrument approaches and a federal contract air traffic control tower.

The three operating areas receive no local 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 management objectives and 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 65<sup>th</sup> busiest US airport for passengers and 61<sup>st</sup> 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:

<b>Summary of Operations</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total Passengers	3,280,062	1,926,159	4,036,920
Cargo (pounds)	159,994,181	147,668,622	138,002,106
SIA - Operations	65,936	58,725	69,097
Felts Field - Operations	71,732	56,894	60,671

Total passenger traffic in 2021 increased nearly 71% showing strong recovery from the Covid-19 pandemic compared to 2020 levels. Additional new non-stop destinations were added during 2021 resulting in a total of 21 non-stop destinations. 2021 operations (takeoffs and landings) increased 12% over 2020 as airlines added capacity to respond to increased passenger traffic demand as the region recovered from the pandemic. Felts Field experienced an increase of 26% in operations in 2021. Infrastructure improvements at Felts Field made over the past few years continue to attract pilots and aircraft to the field.

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

Mail and cargo traffic increased in 2021 and 2020. The increase over the last two years is due to an increase in cargo carried by passenger carriers along with increase from United Parcel Service (UPS) and Federal Express (FedEx) activity. Prime Air began service in October of 2021 and contributed to the cargo increase in 2021.

**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 2021 to 2020 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.



## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Below is a Summary of the Statement of Net Position:

Summary Schedule of Net Position	2021	2020	2019
Current Assets	\$ 68,987,082	\$ 42,401,421	\$ 28,999,016
Noncurrent Assets			
Other Noncurrent Assets	28,673,782	21,196,847	23,450,460
Capital Assets	275,084,807	274,092,315	290,535,182
Total Assets	372,745,671	337,690,583	342,984,658
Deferred Outflow of Resources	2,557,852	2,651,492	2,172,449
Current Liabilities	16,296,570	6,775,747	7,739,176
Noncurrent Liabilities			
Other Noncurrent Liabilities	7,309,077	9,012,997	8,967,695
Bonds and Other Long-Term Debt	-	3,674,748	4,131,747
Total Liabilities	23,605,647	19,463,492	20,838,618
Deferred Inflow of Resources	8,320,750	1,760,362	2,814,581
Net Position			
Net Investment in Capital Assets	271,695,351	267,254,414	283,841,949
Restricted	44,454,132	23,931,569	26,575,055
Unrestricted	27,227,643	27,932,238	11,086,904
Total Net Position	\$ 343,377,126	\$ 319,118,221	\$ 321,503,908

### Assets:

*Current Assets* increased in 2021 after an increase in 2020. The change in 2021 was due mainly to increases in the Airport's cash balance and grant receivables. The increase in 2020 was primarily due to an increase in short-term investments, including federal grant relief funds.

*Other Noncurrent Assets* increased in 2021 after a decrease in 2020. The increase in 2021 relates to an increase in net pension assets. The decrease in 2020 relates primarily to a decrease in CFC and PFC funds.

*Capital Assets* increased slightly in 2021 following a decrease in 2020. The increase in 2021 relates to an increase in construction in process, offset by a decrease in depreciable assets. The decrease in 2020 is primarily due to a reduction in depreciable capital assets, a result of depreciation expense exceeding new capital assets additions.

*Total Assets*, combining the changes in the component assets, increased in 2021 after a decrease in 2020. The increase in 2021 relates mostly to the increase in current and other noncurrent assets during the year. The decrease in 2020 is a result of the decrease in capital assets, offset somewhat by the increase in current assets.

*Deferred Outflows* decreased in 2021 following an increase in 2020. The changes in each year relate entirely to variances from actuarial assumptions in the Washington State pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

---

### Liabilities:

*Current liabilities* increased in 2021 following a decrease in 2020. The increase in 2021 is due primarily to an increase in all payables due at the year-end, including general and construction amounts payable. The decrease in 2020 is due primarily to a decrease in all payables due at year-end due to cost saving measures implemented by Airport management due to the pandemic.

*Other noncurrent liabilities* decreased in 2021 following an increase in 2020. The changes are a result of adjustments to the Other Post-Employment Benefits of retired LEOFF Plan 1 fire fighters and the net pension liability related to the Washington State pension liabilities.

*Long-term debt* decreased in both 2021 and 2020. In 2021, the Airport paid off the Community Economic and Revitalization Board (CERB) loans early. This eliminated all long-term debt at the Airport. The decrease in 2020 was 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* increased in 2021 after a decrease 2020. The increase in 2021 was due to the increase in current liabilities, somewhat offset by the elimination of long-term debt. The decrease in 2020 is due to a reduction of spending in all components, namely current liabilities, noncurrent and long-term liabilities.

*Deferred Inflows* increased in 2021 after it decreased in 2020. The changes in both years relate primarily to variances from actuarial assumptions in the Washington State pension accounting. 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 2021 by \$343.4 million, an increase of \$24.3 million over 2020. 2020 showed a decrease of \$2.4 million over 2019.

The largest portion of the Airport's net position, \$271.7 Million in 2021, \$267.3 million in 2020, and \$283.8 million in 2019 represents the net investment in capital assets (e.g. land, buildings, machinery, and equipment less related debt). The increase in 2021 compared to 2020 was a result of more investment in capital assets than recorded depreciation expense, resulting in an increase in net assets as well as the repayment of all debt. The decrease in 2020 corresponded to fewer capital projects being capitalized during the year. 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, \$44.5 million in 2021, \$24.0 million in 2020 and \$26.6 million in 2019 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 increase of \$20.5 million in 2021 corresponded with an increase in grant receivable from government grantors and net pension assets. The \$2.6 million decrease in 2020 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 decreased in 2021 after an increase in 2020. The 2021 decrease is due mainly to a larger decrease in current liabilities than the increase in unrestricted cash. The increase in 2020 is primarily from the increase in cash and investments and the decrease in net assets. These unrestricted net assets may be used for any lawful purpose of the Airport.

## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

The table below summarizes the effect of revenues and expenses on Net Position for the three years ended, December 31, 2021, 2020, and 2019.

Summary of Net Position	2021	2020	2019
Operating Revenue	\$ 40,625,416	\$ 31,094,135	\$ 44,540,630
Operating Expense	23,326,155	27,230,819	30,780,598
Operating income before depreciation	17,299,261	3,863,316	13,760,032
Depreciation expense	29,517,093	29,276,987	26,108,329
Operating income (loss)	(12,217,832)	(25,413,671)	(12,348,297)
Nonoperating Income (Expense)	21,754,891	18,027,679	13,347,652
Increase (decrease) in Net Position before Capital	9,537,059	(7,385,992)	999,355
Capital Contributions and Grants	14,721,846	5,000,305	3,411,568
Increase (decrease) in Net Position	24,258,905	(2,385,687)	3,411,568
Net Position, beginning of year	319,118,221	321,503,908	317,092,985
Net Position, end of year	<u>\$ 343,377,126</u>	<u>\$ 319,118,221</u>	<u>\$ 321,503,908</u>

*Total operating revenues* in 2021 were \$40.6 million an increase of \$9.5 million over 2020. The reason for the revenue increase was the recovery of passenger activity at the airport that drove an increase in several sources. This followed a \$13.4 million decrease in 2020 over 2019 due to the impact of the global pandemic and the related effect on the aviation industry. This negatively impacted many of the revenue streams at the Airport.

*Total operating expenses* prior to depreciation in 2021 were \$23.3 million compared to a total of \$27.2 million in 2020, a decrease of \$3.9 million; 2019 total operating expenses were \$30.8 million. The 2021 and 2020 decreases were due to the continuation of several cost savings measures implemented by the Airport management during the pandemic.

*Depreciation charges* of \$29.5 million were recorded in 2021 after \$29.3 million in 2020, both increases over prior years. These increases relate to the amount of infrastructure and equipment additions in 2021, 2020, and years priors that have remaining useful lives and value.

*Non-operating income and expense* show a net positive increase in both 2021 and 2020. The main reason for the increase in 2021 was an increase in PFC and CFC revenue and higher land sales than in 2020. The primary reason for the increase in 2020 was CARES grant revenue reimbursement for operating expenses.

*Capital contributions and capital grants revenue* of \$14.7 million in 2021, an increase of \$9.7 million from 2020. 2020 had \$5.0 million, which was an increase of \$1.6 million from 2019. 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.

**SPOKANE AIRPORT BOARD  
MANAGEMENT DISCUSSION AND ANALYSIS**

**Revenues:**

Below in a summary of revenue for the three fiscal years ended December 31, 2021, 2020, and 2019:

<b>Summary of Revenues</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues:</b>			
Airfield	\$ 6,708,251	\$ 5,616,836	\$ 7,674,440
Passenger terminal	16,410,797	12,805,825	16,083,845
Leased buildings	2,724,776	2,698,715	2,772,354
Leased areas	2,586,701	2,594,465	2,529,341
Parking and ground transportation	11,973,477	7,265,642	15,353,376
Other	221,414	112,652	127,274
<b>Total Operating Revenue</b>	<b>40,625,416</b>	<b>31,094,135</b>	<b>44,540,630</b>
<b>Nonoperating Income:</b>			
Interest income	967,906	1,225,481	1,133,427
Gain on disposal of assets	6,306,133	1,207,875	-
Gain on investments	-	224,097	525,840
Customer facility charges	2,942,792	2,117,572	3,647,130
Passenger facility charges	6,542,294	3,618,624	8,064,737
Other grant revenue	6,379,050	9,822,645	148,744
<b>Total Nonoperating Income</b>	<b>23,138,175</b>	<b>18,216,294</b>	<b>13,519,878</b>
Federal AIP and other grants	14,721,846	5,000,305	3,411,568
<b>Total</b>	<b>\$78,485,437</b>	<b>\$54,310,734</b>	<b>\$61,472,076</b>

*Airfield revenue* increased in 2021 following a decrease in 2020. The increase in 2021 was due to the recovery of passenger traffic, which increased the landed weight at SIA as airlines brought back routes and increased frequency of service. The decrease in 2020 was due to the impact of the pandemic on air traffic and the resulting decrease in landed weight as airlines suspended routes or decreased the frequency of certain routes.

*Passenger terminal revenue* increased in 2021 as a result of increased passenger activity as a result of the recovery from the pandemic. The recovery increased terminal revenue, concession revenue at the airport and rental car revenue. The decrease in 2020 was due to a reduction in passenger traffic, which impacted concession revenue such as rental cars, food, beverage, and retail sales.

*Leased building revenue* increased slightly in 2021 after a small decrease in 2020. The 2021 and 2020 changes relate to the occupancy percentage in the Airport Business Park.

*Leased area revenue* decreased slightly 2021 after a small increase in 2020. The changes in 2021 and 2020 are due primarily to variations with on premise hotel activity.

*Parking revenue*, which includes Ground Transportation fees, increased in 2021 as a result of the recovery from the pandemic and the corresponding increase in passenger traffic. The Airport reopened one economy lot after closing both economy lots in 2020. The 2020 decrease compared to 2019 as a result of the pandemic and decrease to passenger traffic.

## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

*Non-operating revenue* increased in both 2021 and 2020. The main driver for 2021 was an increase in both PFC and CFC revenues as a result of passenger traffic recovery. PFC and CFC revenues are restricted to specific uses and are not used to fund operations. In addition, there was numerous assets disposed of during 2021 that resulted in higher gains on disposed assets than in the previous year. The main driver for the 2020 increase was CARES grant revenue.

Also included in non-operating income is interest revenue and other grant revenue. Interest income and other grant revenue decreased in 2021 after an increase 2020.

### Expenses:

Below is a summary of expenses for the three fiscal years ended December 31, 2021, 2020, and 2019:

Summary of Expenses	2021	2020	2019
Operating Expenses:			
Airfield	\$ 8,626,312	\$10,884,364	\$10,969,272
Passenger terminal	5,002,913	4,846,611	6,447,706
Leased buildings	987,437	1,078,315	1,578,930
Parking and ground transportation	3,485,947	4,414,791	5,443,265
Administration and operations	5,223,546	6,006,738	6,341,425
Total Operating Expense	23,326,155	27,230,819	30,780,598
Depreciation expense	29,517,093	29,276,987	26,108,329
Nonoperating Expense			
Interest expense	2,753	37,079	13,338
Loss on disposition of assets	-	-	10,144
Loss on investments	897,115	-	-
Other grant expense	483,416	151,536	148,744
Total Nonoperating Expense	1,383,284	188,615	172,226
Total	<u>\$54,226,532</u>	<u>\$56,696,421</u>	<u>\$57,061,153</u>

*Airfield expenses* decreased in 2021 due to cost savings measures, including major maintenance items, implemented during the pandemic. This followed a small decrease in 2020 due to minor fluctuations in airfield maintenance and operating expenses.

*Passenger Terminal expenses* increased in 2021 after a decrease in 2020. The increase in 2021 is attributed to the recovery of passenger traffic and related expenses for maintenance at the terminal. The decrease in 2020 is due mainly to cost saving measures implemented following the reduction of passenger traffic because of the pandemic.

*Leased Buildings expenses* decreased in both 2021 and 2020. The decreases are due to a focus on reducing maintenance and operating expenses because of the pandemic.

*Parking and Ground Transportation expenses* decreased in 2021 and 2020. The decrease in both years is mainly attributed to staffing levels and closure of the economy lot(s) due to the pandemic.



## SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

---

*Administration and operations expenses* decreased in 2021 and 2020. The reduction in 2021 and 2020 is the result of staffing levels and other cost savings measures implemented due to the decrease in passenger activity.

*Loss on investments* in 2021 was due to rising interest rates and declining fair market value of short term securities held in the Spokane Investment Pool. The Pool generally holds investment to maturity so actual realized losses on investments is minimal.

### 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, 2022.

Despite the impacts of the pandemic, the Airport is in a strong financial position given the amount of liquidity, no current and long-term debt on the books, and low debt burden per passenger. The Airport operates with sound financial decision-making, a 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,	
	2021	2020
<b>CURRENT ASSETS</b>		
<b>Unrestricted Current Assets</b>		
Cash	\$ 277,928	\$ 263,210
Unrestricted cash and short-term investments	45,692,333	34,949,772
Accounts receivable, less allowance for doubtful accounts of \$447,847 and \$448,687 respectively	2,775,421	2,775,499
Prepaid expenses and other assets	1,134,634	885,946
Inventory	486,247	326,336
Total Unrestricted Current Assets	50,366,563	39,200,763
<b>Restricted Current Assets</b>		
Current portion, restricted cash and short-term investments	3,695,898	3,050,383
Receivable from government agencies	14,924,621	150,275
Total Restricted Current Assets	18,620,519	3,200,658
Total Current Assets	68,987,082	42,401,421
<b>NONCURRENT ASSETS</b>		
<b>Unrestricted Noncurrent Assets</b>		
Land	20,348,571	21,104,192
Construction in process	33,597,604	15,534,763
Depreciable capital assets, net of accumulated depreciation	221,138,632	237,453,360
Total Unrestricted Noncurrent Assets	275,084,807	274,092,315
<b>Restricted Noncurrent Assets</b>		
Restricted cash and investments, less current portion	18,862,142	19,148,136
Net Pension Asset	9,811,640	2,048,711
Total Restricted Noncurrent Assets	28,673,782	21,196,847
Total Noncurrent Assets	303,758,589	295,289,162
TOTAL ASSETS	372,745,671	337,690,583
<b>DEFERRED OUTFLOW OF RESOURCES</b>	2,557,852	2,651,492
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$ 375,303,523	\$ 340,342,075

**SPOKANE AIRPORT BOARD  
STATEMENT OF NET POSITION**

**LIABILITIES**

	December 31,	
	2021	2020
<b>CURRENT LIABILITIES</b>		
<b>Liabilities Payable from Unrestricted Assets</b>		
Construction warrants and retainage payable	\$ 381,151	\$ 410,402
Vouchers payable and other accrued expenses	11,969,354	2,691,129
Accrued payroll	855,119	838,296
Compensated absences - current portion	82,641	77,007
Total Unrestricted Current Liabilities	<u>13,288,265</u>	<u>4,016,834</u>
<b>Liabilities Payable from Restricted Assets</b>		
Construction warrants and retainage payable	3,008,305	2,296,227
Accrued interest payable	-	6,162
Long-term debt due within one year	-	456,524
Total Restricted Current Liabilities	<u>3,008,305</u>	<u>2,758,913</u>
Total Current Liabilities	<u>16,296,570</u>	<u>6,775,747</u>
<b>NONCURRENT LIABILITIES</b>		
Deposits	319,951	291,875
Compensated absences	933,747	895,616
Accrued environmental liabilities	2,106,943	2,106,943
Accrued postretirement and termination benefits	3,487,274	3,479,120
Net Pension liabilities	461,162	2,239,443
Long-term debt, due in more than one year	-	3,674,748
Total Noncurrent Liabilities	<u>7,309,077</u>	<u>12,687,745</u>
TOTAL LIABILITIES	<u>23,605,647</u>	<u>19,463,492</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	<u>8,320,750</u>	<u>1,760,362</u>
<b>NET POSITION</b>		
<b>Net Investment in capital assets</b>	<u>271,695,351</u>	<u>267,254,414</u>
<b>Restricted for:</b>		
Debt service	-	45,718
Passenger Facility Charge	3,584,925	3,114,088
Customer Facility Charge	15,277,217	15,574,274
Cash restricted for retainages and deposits	2,999,179	2,998,503
Receivable from government agencies	14,924,621	150,275
Net Pension Asset	9,811,640	2,048,711
Total Restricted Net Assets	<u>46,597,582</u>	<u>23,931,569</u>
<b>Unrestricted</b>	<u>25,084,193</u>	<u>27,932,238</u>
<b>TOTAL NET POSITION</b>	<u>343,377,126</u>	<u>319,118,221</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<u>\$ 375,303,523</u>	<u>\$ 340,342,075</u>

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

	Year Ended December 31,	
	2021	2020
<b>Operating revenues:</b>		
Airfield	\$ 6,708,251	\$ 5,616,836
Passenger terminal	16,410,797	12,805,825
Leased buildings	2,724,776	2,698,715
Leased areas	2,586,701	2,594,465
Parking and ground transportation	11,973,477	7,265,642
Other	221,414	112,652
Total Operating Revenue	<u>40,625,416</u>	<u>31,094,135</u>
<b>Operating expenses:</b>		
Airfield:		
General	4,711,141	6,366,115
Fire department	1,773,313	2,068,650
Police department	2,141,858	2,449,599
Passenger terminal	5,002,913	4,846,611
Leased buildings	987,437	1,078,315
Parking and ground transportation	3,485,947	4,414,791
Administration and operations	5,223,546	6,006,738
Total Operating Expense	<u>23,326,155</u>	<u>27,230,819</u>
Operating income before depreciation	17,299,261	3,863,316
<b>Depreciation</b>	<u>29,517,093</u>	<u>29,276,987</u>
Operating income (loss)	<u>(12,217,832)</u>	<u>(25,413,671)</u>

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

	Year Ended December 31,	
	2021	2020
<b>Nonoperating revenues (expenses):</b>		
Interest income	\$ 967,906	\$ 1,225,481
Interest expense, including amortization of bond premiums	(2,753)	(37,079)
Gain (loss) on disposition of assets	6,306,133	1,207,875
Gain (loss) on investments	(897,115)	224,097
CARES grant revenue	5,895,634	9,671,110
Grant revenue	483,416	151,535
Grant expense	(483,416)	(151,536)
Customer facility charges	2,942,792	2,117,572
Passenger facility charges	6,542,294	3,618,624
<b>Total Nonoperating revenue (expenses)</b>	<b>21,754,891</b>	<b>18,027,679</b>
Increase (decrease) in net assets before capital grants and related items	9,537,059	(7,385,992)
<b>Capital contributions</b>		
Federal AIP and other grants	14,721,846	5,000,305
<b>Total Capital Contributions</b>	<b>14,721,846</b>	<b>5,000,305</b>
Increase (decrease) in Net Position	24,258,905	(2,385,687)
<b>Net Position, beginning of year</b>	<b>319,118,221</b>	<b>321,503,908</b>
<b>Net Position, end of year</b>	<b>\$ 343,377,126</b>	<b>\$ 319,118,221</b>

**SPOKANE AIRPORT BOARD  
STATEMENT OF CASH FLOWS**

	Year Ended December 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from airfield operations	\$ 6,372,236	\$ 4,460,372
Cash received from passenger terminal	16,410,797	12,805,825
Cash received from building leases	2,724,776	2,698,715
Cash received from area leases	2,586,701	2,594,465
Cash received from parking	11,973,477	7,265,642
Other operating cash received	221,414	112,652
Cash paid for airfield operations	(3,570,117)	(5,327,388)
Cash paid to airfield employees	(7,098,309)	(6,313,231)
Cash paid for passenger terminal	(4,194,536)	(4,020,921)
Cash paid to passenger terminal employees	(1,056,144)	(968,827)
Cash paid for leased building operations	(987,437)	(1,078,315)
Cash paid for parking operations	(2,660,362)	(3,222,492)
Cash paid to parking operations employees	(1,144,317)	(1,426,066)
Cash paid for administration and operations	5,852,821	(5,383,460)
Cash paid to administration and operations employees	(2,416,568)	(2,478,323)
Net cash provided (used) by operating activities	<u>23,014,432</u>	<u>(281,352)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants received	6,379,050	9,822,645
Operating grant expenses	(483,416)	(151,536)
Net cash provided by noncapital financing activities	<u>5,895,634</u>	<u>9,671,109</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal and state grant proceeds	(52,500)	5,996,765
Acquisition and construction of capital assets	(30,652,971)	(12,777,204)
Principal payments on debt	(4,131,272)	(7,656,045)
Proceeds from short term debt	-	7,200,000
Proceeds from sale of capital assets	7,132,346	1,751,672
Interest paid on debt	(8,915)	(37,941)
Customer Facility Charges	2,942,792	2,117,572
Passenger facility charges collected	6,906,463	3,551,772
Net cash provided (used) by capital and related financing activities	<u>(17,864,057)</u>	<u>146,591</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	70,791	1,535,979
Net cash provided by investing activities	<u>70,791</u>	<u>1,535,979</u>
NET CHANGE IN CASH	<u>11,116,800</u>	<u>11,072,327</u>
Cash, beginning of year	<u>57,411,501</u>	<u>46,339,174</u>
Cash, end of year	<u>\$ 68,528,301</u>	<u>\$ 57,411,501</u>

**SPOKANE AIRPORT BOARD  
STATEMENT OF CASH FLOWS**

	Year Ended December 31,	
	2021	2020
<b>OPERATING INCOME (LOSS)</b>	\$ (12,217,832)	\$ (25,413,671)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	29,517,093	29,276,987
Changes in assets and liabilities:		
Accounts receivable	(364,091)	(1,156,473)
Prepaid expenses and other assets	(248,688)	(182,163)
Inventory	(159,911)	22,646
Vouchers payable and other accrued expenses	9,278,225	(1,570,970)
Accrued payroll	16,823	(23,385)
Accrued vacation and sick pay	43,765	(255,795)
Increase (decrease) in net pension liability and related deferred outflows and inflows of resources	(2,887,182)	(1,285,098)
Other	36,230	306,570
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 23,014,432</b>	<b>\$ (281,352)</b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
 <b>NONCASH CAPITAL ACTIVITIES</b>		
Acquisition of construction and capital assets, recorded but not paid at year end	3,389,456	2,706,629
<b>TOTAL NONCASH ITEMS</b>	<b>\$ 3,389,456</b>	<b>\$ 2,706,629</b>
 <b>RECONCILIATION OF CASH</b>		
Cash	\$ 277,928	\$ 263,210
Unrestricted short-term cash investments	45,692,333	34,949,772
Restricted cash and short-term investments, current and noncurrent	22,558,040	22,198,519
<b>CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS</b>	<b>\$ 68,528,301</b>	<b>\$ 57,411,501</b>

# SPOKANE AIRPORT BOARD

## NOTES TO THE FINANCIAL STATEMENTS

---

### 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 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 2<sup>nd</sup> 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. Operating revenues and expenses are items related to nonexchange transactions such as interest expense and revenue as they relate to financing and/or investing related transactions, customer facility charges 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.



## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### **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. Revenues from airlines amounted to approximately 26% and 41% of operating revenue for the years ended December 31, 2021 and 2020, respectively. Rental car revenue was 20% and 13% of operating revenue for the years ended December 31, 2021 and 2020, respectively. Parking garage revenues for the years ended December 31, 2021 and 2020, approximated 29% and 23% 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.

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### 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 November 1, 2022. 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 \$171,592,931 has been approved for collection and \$171,592,931 has been approved for use, of which \$165,242,626 has been received through December 31, 2021. At December 31, 2021, Spokane International Airport had total cumulative expenditures of \$158,817,531. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

#### Customer Facility Charges:

The Airport collects a CFC of \$3.75 per day from rental car transactions. The customer facility fee (CFC) revenue is used to fund rental car facilities capital improvement projects. CFC 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 generally accepted account principles. 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.

# SPOKANE AIRPORT BOARD

## NOTES TO THE FINANCIAL STATEMENTS

---

### 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.

The Airport's estimated useful lives of depreciable property, facility and equipment at December 31, 2021 and 2020 were 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:

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 employment agreement and collective bargaining agreements. Compensated absences are accrued when earned and are reported as a liability.

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### 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 accrue up to 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.

#### *Police Officers*

Police Officers may accrue up to 240 hours for 8 hour shift employees and 300 hours for 12 hour shift employees. Sick leave may accrue to a maximum of 1,040 hours. Upon separation from employment, unused sick leave will be forfeited unless separation is due to death or retirement. If the separation is due to death or retirement the employee or employee's estate will be paid up to a maximum of 780 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:**

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

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### Note 1 - Significant Accounting Policies (Continued)

June 15, 2021. The Airport is currently evaluating the impact this standard will have on the financial statements.

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. 100 (GASB 100) - *Accounting changes and error correction-an amendment of GASB 62* was issued June 2022. The primary objective of this Statement is to enhance accounting and financial reporting for changes in accounting principles and changes in accounting estimates that result from a change in measurement methodology, and error corrections. The standard is effective for fiscal years ending after June 15, 2023. The Airport is currently evaluating the impact this standard will have on the financial statements.

GASB Statement No. 101 (GASB 101) - *Compensated Absences* was issued June 2022. The Statement requires that a liability be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. The standard is effective for fiscal years ending after December 15, 2023. The Airport is currently evaluating the impact this standard will have on the financial statements.

### Note 2 - Cash, Cash Equivalents and Investments

#### Deposits:

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

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

In 2010, the PDPC adopted Resolution 2010-1 requiring all public depositories 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 (SCIP) is not SEC registered and there is no credit rating of the SCIP. 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. Investments in the Pool principally consist of investments in the Washington State Local Government Investment Pool, US

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

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

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 statutes 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](http://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 SCIP 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, 2021 and 2020, the Airport had the following cash and investments. Cash and investments are classified on the statement of net position as follows:

	2021	2020
Cash	\$ 277,928	\$ 263,210
Unrestricted short-term investments	45,692,333	34,949,772
Restricted short-term investments, current portion	3,695,898	3,050,383
Restricted short-term investments, noncurrent	18,862,142	19,148,136
TOTAL	<u>\$ 68,528,301</u>	<u>\$ 57,411,501</u>

As of December 31, 2021 and 2020, the Spokane Airport has the following cash and investments:

	2021	2020
Petty Cash	\$ 3,065	\$ 3,250
Cash in bank	274,863	259,960
Funds invested in the Spokane County Investment Pool	68,250,373	57,148,291
TOTAL	<u>\$ 68,528,301</u>	<u>\$ 57,411,501</u>

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2<sup>nd</sup> 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 1.52 and 1.10 years at December 31, 2021 and 2020, respectively.

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

	2021	2020
Freddie Mac	5%	-
LGIP (State)	14%	-
Federal Home Loan Bank	-	13%
United State Treasure Notes	38%	25%
Federal Farm Credit Bank	6%	20%
Corporate Bonds	-	6%
Commercial paper	-	-
Supranationals	-	6%
Inter-American Development Bank	11%	-

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Washington State Local Government Investment Pool	14%	16%
Federal agency securities	19%	65%
Miscellaneous investments	0%	0%
Supranationals	19%	10%
Corporate paper	8%	9%
Commercial paper	-	-
Treasury Securities	40%	-
	<u>100%</u>	<u>100%</u>

**Cash balances:**

The carrying value of the Airport's deposits with financial institutions as of December 31, 2021 and 2020, were \$274,863 and \$259,960 and the bank balances were \$274,863 and \$259,960 respectively. The bank balance is categorized as follows:

	<u>2021</u>	<u>2020</u>
Amount insured by FDIC	\$ 250,000	\$ 250,000
Total Bank Balance	<u>\$ 274,863</u>	<u>\$ 259,960</u>

**Restricted cash and short-term investments:**

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

	<u>2021</u>	<u>2020</u>
Funds restricted for the retirement of the CERB Loans	\$ -	\$ 508,404
Collected passenger facility charges, restricted for approved projects	3,584,925	3,114,088
Collected transaction fee, restricted for approved projects	15,277,217	15,574,274
Funds designated for retainages in escrow (cash in bank)	3,375,947	2,709,878
Refurbishment and fuel deposits	319,951	291,875
Total Restricted Cash and Short-Term Investments	<u>\$ 22,558,040</u>	<u>\$ 22,198,519</u>



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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 \$6,326,549 in 2021 and \$15,819,410 in 2020. 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:

	2021	2020
Government receivable, beginning of year	\$ 150,275	\$ 1,146,735
Funds expended	21,100,895	14,822,950
	<u>21,251,170</u>	<u>15,969,685</u>
Less cash received	(6,326,549)	(15,819,410)
Government receivable, end of year	<u>\$ 14,924,621</u>	<u>\$ 150,275</u>

**Note 4 - Inventory**

At the end of 2021 and 2020, 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, 2021 and 2020, was \$486,247 and \$326,336, respectively.

**Note 5 - Change in Capital Assets**

A summary of changes in capital assets for the years ended December 31, 2021 and 2020, is as follows:

	Beginning Balance January 1, 2021	Additions	Deletions	Transfers	Ending Balance December 31, 2021
<b>Nondepreciable Assets</b>					
Land	\$ 21,104,192	\$ -	\$ (755,621)	\$ -	\$ 20,348,571
Construction in progress	15,534,763	30,774,060		(12,711,219)	33,597,604
Total Nondepreciable Assets	<u>36,638,955</u>	<u>30,774,060</u>	<u>(755,621)</u>	<u>(12,711,219)</u>	<u>53,946,175</u>
<b>Depreciable Assets</b>					
Land improvements	263,763,174	-	-	9,782,257	273,545,431
Buildings	196,715,316	227,520	-	2,326,503	199,269,339
Equipment	73,251,712	334,218	(778,617)	602,459	73,409,772
Water and sewer facilities	4,573,619	-	-	-	4,573,619
Total Depreciable Assets	<u>538,303,821</u>	<u>561,738</u>	<u>(778,617)</u>	<u>12,711,219</u>	<u>550,798,161</u>
<b>Less accumulated depreciation for:</b>					
Land improvements	139,327,394	14,807,777	-	-	154,135,171
Buildings	112,371,195	7,184,182	-	-	119,555,377
Equipment	47,578,978	7,323,010	(708,025)	-	54,193,963
Water and sewer facilities	1,572,894	202,124	-	-	1,775,018
Total Accumulated Depreciation	<u>300,850,461</u>	<u>29,517,093</u>	<u>(708,025)</u>	<u>-</u>	<u>329,659,529</u>
Total Depreciable Capital Assets - net	<u>237,453,360</u>	<u>(28,955,355)</u>	<u>(70,592)</u>	<u>12,711,219</u>	<u>221,138,632</u>
Total Capital Assets - net	<u>\$ 274,092,315</u>	<u>\$ 1,818,705</u>	<u>\$ (826,213)</u>	<u>\$ -</u>	<u>\$ 275,084,807</u>

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 5 - Change in Capital Assets (Continued)**

	Beginning Balance January 1, 2020	Additions	Deletions	Transfers	Ending Balance December 31, 2020
<b>Nondepreciable Assets</b>					
Land	\$ 21,528,656	\$ -	\$ (424,464)	\$ -	\$ 21,104,192
Construction in progress	12,529,036	13,204,124		(10,198,397)	15,534,763
<b>Total Nondepreciable Assets</b>	<b>34,057,692</b>	<b>13,204,124</b>	<b>(424,464)</b>	<b>(10,198,397)</b>	<b>36,638,959</b>
<b>Depreciable</b>					
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
<b>Total Depreciable Assets</b>	<b>531,444,554</b>	<b>173,793</b>	<b>(3,512,923)</b>	<b>10,198,397</b>	<b>538,303,821</b>
<b>Less accumulated depreciation for:</b>					
Land improvements	124,531,086	14,796,308	-	-	139,327,394
Buildings	107,178,353	6,420,130	(1,225,444)	-	112,373,039
Equipment	41,876,452	7,868,828	(2,168,146)	-	47,577,134
Water and sewer facilities	1,381,173	191,721	-	-	1,572,894
<b>Total Accumulated Depreciation</b>	<b>274,967,064</b>	<b>29,276,987</b>	<b>(3,393,590)</b>	<b>-</b>	<b>300,850,461</b>
<b>Total Depreciable Capital Assets - net</b>	<b>256,477,490</b>	<b>(29,103,194)</b>	<b>(119,333)</b>	<b>10,198,397</b>	<b>237,453,360</b>
<b>Total Capital Assets - net</b>	<b>\$ 290,535,182</b>	<b>\$ (15,899,070)</b>	<b>\$ (543,797)</b>	<b>\$ -</b>	<b>\$ 274,092,315</b>



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Long-Term Debt**

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

	Due Within One Year	2021 Due After One Year	Total	2020 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. The 2005 CERB loan was paid off on March 30, 2021.				
Original principal amount \$800,000.	\$ -	\$ -	\$ -	\$ 297,925
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. The 200 CERB loan was paid off on March 30, 2021.				
Original principal amount \$750,000.	\$ -	\$ -	\$ -	\$ 313,347
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. The 2008 CERB loan was paid off on March 30, 2021.				
Original principal amount \$1,700,000.	\$ -	\$ -	\$ -	\$ 1,020,000
2010 CERB loan, due in installments of increasing amounts July 31, 2015, through July 31, 2030, interest is payable annually at a rate of 0%. Proceeds of the loan were used to build an aircraft maintenance and paint hangar facility. The 2010 CERB loan was paid off on March 30, 2021.				
Original principal amount \$4,000,000.	\$ -	\$ -	\$ -	\$ 2,500,000
<b>Total Long-Term Debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,131,272</b>

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

**SPOKANE AIRPORT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 6 - Long Term Debt (Continued)**

	Balance at December 31, 2020	Increase	Decrease	Balance at December 31, 2021
2005 CERB loan payable	\$ 297,925	\$ -	\$ (297,925)	\$ -
2006 CERB loan payable	313,347	-	(313,347)	-
2008 CERB loan payable	1,020,000	-	(1,020,000)	-
2010 CERB loan payable	2,500,000	-	(2,500,000)	-
	<u>\$ 4,131,272</u>	<u>\$ -</u>	<u>\$ (4,131,272)</u>	<u>\$ -</u>
	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 note payable	-	7,200,000	(7,200,000)	-
	<u>\$ 4,587,317</u>	<u>\$ 7,200,000</u>	<u>\$ (7,656,045)</u>	<u>\$ 4,131,272</u>

**Short Term Promissory Note**

The Airport had a short-term promissory note for \$7,200,000 with Spokane County Investment Pool. The maturity date was 365 days from the date the short term promissory note was 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 was authorized to transfer a principal and interest payment from the Airport's fund with the County. The interest rate was set by the Spokane Treasurer's Office when the note was executed on April 17, 2020 was 0.515%. As of December 31, 2021, the balance owing on the short-term promissory note was \$0.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2020	Increase	Decrease	Balance at December 31, 2021
Deposits	\$ 291,875	\$ 28,076	\$ -	\$ 319,951
Accrued environmental liabilities	2,106,943	-	-	2,106,943
Accrued postretirement benefits	3,479,120	8,154	-	3,487,274
Pension liability	2,239,443	-	(1,778,281)	461,162
Compensated absences	895,616	41,593	(3,462)	933,747
	<u>\$ 9,012,997</u>	<u>\$ 77,823</u>	<u>\$ (1,781,743)</u>	<u>\$ 7,309,077</u>

	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
	<u>\$ 8,967,695</u>	<u>\$ 661,386</u>	<u>\$ (616,084)</u>	<u>\$ 9,012,997</u>

The estimated current portion of compensated absences for 2021 and 2020 was \$82,641 and \$77,077.

**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, 2021 and 2020, were \$50,981 and \$32,886, respectively.

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

Years ending December 31,	
2022	<u>\$ 15,864</u>
Total	<u>\$ 15,864</u>

**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.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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 2021 and 2020:

<b>Aggregate Pension Amounts - All Plans</b>		
	2021	2020
Pension liabilities	\$ (461,162)	(2,239,443)
Pension assets	\$ 9,811,640	2,048,711
Deferred outflows of resources	\$ 955,212	1,111,108
Deferred inflows of resources	\$ (7,490,167)	(930,832)
Pension expense/expenditures	\$ (1,996,016)	198,226

**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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR 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](http://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 2021 and 2020 were as follows:

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

PERS Plan 1	2021	2021		2020	2020
Actual Contribution Rates	Employer	Employee		Employer	Employee
Jan - Jun 2021			Jan - Aug 2020		
PERS Plan 1	7.92%	6.00%	PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%		PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>	<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
Jul - Dec 2021			Sep - Dec 2020		
PERS Plan 1	10.07%	6.00%	PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL			PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>	<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>

The Spokane Airport Board's actual contributions to the plan were \$230,504 and \$303,072 for the years ended December 31, 2021 and 2020, 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.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 and 2020 are as follows:

<b>PERS Plan 2/3</b>	<b>2021</b>	<b>2021</b>		<b>2020</b>	<b>2020</b>
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2/3</b>		<b>Employer 2/3</b>	<b>Employee 2/3</b>
Jan - Aug 2021			Jan - Aug 2020		
PERS Plan 2/3	7.92%	7.90%	PERS Plan 2/3	7.92%	7.41%
PERS Plan 1 UAAL	4.87%		PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		Varies	Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>	<b>Total</b>	<b>12.86%</b>	<b>7.41%</b>
Sep - Dec 2021			Sep - Dec 2020		
PERS Plan 2/3	6.36%	6.36%	PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	3.71%		PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		Varies	Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>	<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>

The Spokane Airport Board's actual contributions to the plan were \$383,769 and \$500,492 for the years ended December 31, 2021 and 2020, 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 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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 3.41% as July 1, 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 and 2020 were as follows:

<b>LEOFF Plan 2</b>	<b>2021</b>	<b>2021</b>		<b>2020</b>	<b>2020</b>
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>		<b>Employer</b>	<b>Employee</b>
Jan - Jun 2021			Jan - Dec 2020		
State and local governments	5.15%	8.59%	State and local governments	5.15%	8.59%
Administrative Fee	0.18%		Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>	<b>Total</b>	<b>5.43%</b>	<b>8.59%</b>
Jul - Dec 2021					
State and local governments	5.12%		State and local governments		
Administrative Fee	0.18%		Administrative Fee		
<b>Total</b>	<b>5.30%</b>		<b>Total</b>		

The Spokane Airport Board's actual contributions to the plan were \$130,522 and \$135,960 for the years ended December 31, 2021 and 2020, 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, 2021, the state contributed \$78,170,320 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 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### Note 8 - Pension and Benefit Plans (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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-2010 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

#### 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.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

**Sensitivity of 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	\$ 785,616	\$ 461,162	\$ 178,205
PERS 2/3	(1,378,495)	(4,838,851)	(7,688,457)
LEOFF 1	(1,013,743)	(1,126,051)	(1,223,216)
LEOFF 2	(2,425,756)	(3,846,738)	(5,010,239)

**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, 2021 and 2020, the Spokane Airport Board reported a total pension liability and pension assets are as follows:

	2021	2020
	Liability (or Asset)	Liability (or Asset)
PERS 1	\$ 461,162	\$ 1,523,887
PERS 2/3	(4,838,851)	715,556
LEOFF 1	(1,126,051)	(624,322)
LEOFF 2	(3,846,738)	(1,424,389)

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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	\$ 1,126,051	\$ 3,846,738
State's proportionate share of the net pension asset associated with the employer	7,616,579	2,481,566
TOTAL	\$ 8,742,630	\$ 6,328,304

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

	Proportionate Share 6/30/2021	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.037762%	0.043163%	(0.005401%)
PERS 2/3	0.048575%	0.055949%	(0.007374%)
LEOFF 1	0.032872%	0.033059%	(0.000187%)
LEOFF 2	0.066227%	0.069828%	(0.003601%)

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 2021. Historical data was obtained from a 2011 study by OSA. 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 2021, 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, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2020, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense:**

For the year ended December 31, 2021 and 2020, the Spokane Airport Board recognized pension expense as follows:

	2021	2020
	Pension Expense	Pension Expense
PERS 1	\$ (282,356)	\$ 62,683
PERS 2/3	(1,101,517)	94,579
LEOFF 1	(164,181)	(36,498)
LEOFF 2	(447,962)	77,462
TOTAL	\$ (1,996,016)	\$ 198,226

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2021 and 2020, respectively. At December 31, 2021 and 2020, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to pensions from sources as shown in the table below.

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, 2020, the beginning of the measurement period ended June 30, 2021, is 1 year.

PERS 1	December 31, 2021	
	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	-	(511,736)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	100,828	-
<b>TOTAL</b>	<b>\$ 100,828</b>	<b>\$ (511,736)</b>

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	-
<b>TOTAL</b>	<b>\$ 147,441</b>	<b>\$ (8,484)</b>

PERS 2/3	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,016	\$ (59,320)
Net difference between projected and actual investment earnings on pension plan investments	-	(4,044,145)
Changes of assumptions	7,071	(343,639)
Changes in proportion and differences between contributions and proportionate share of contributions	96,238	(146,969)
Contributions subsequent to the measurement date	172,848	-
<b>TOTAL</b>	<b>\$ 511,173</b>	<b>\$ (4,594,073)</b>

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, 2020, the beginning of the measurement period ended June 30, 2021, is 6.8 years.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**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	
<b>TOTAL</b>	<b>\$ 636,596</b>	<b>\$ (650,378)</b>

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, 2020, the beginning of the measurement period ended June 30, 2021, is 1 year.

LEOFF 1	December 31, 2021	
	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	-	(344,078)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (344,078)</b>

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	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ (6,530)</b>

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, 2020, the beginning of the measurement period ended June 30, 2021, is 10.3 years.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

LEOFF 2	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 174,473	\$ (20,330)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,834,153)
Changes of assumptions	1,663	(182,951)
Changes in proportion and differences between contributions and proportionate share of contributions	99,747	(2,847)
Contributions subsequent to the measurement date	67,327	-
<b>TOTAL</b>	<b>\$ 343,211</b>	<b>\$ (2,040,280)</b>

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	-
<b>TOTAL</b>	<b>\$ 327,069</b>	<b>\$ (265,440)</b>

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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended December 31:	PERS 1
2022	\$ (135,559)
2023	\$ (124,221)
2024	\$ (117,456)
2025	\$ (134,500)
2026	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 1
2022	\$ (91,399)
2023	\$ (83,602)
2024	\$ (78,886)
2025	\$ (90,191)
2026	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2022	\$ (1,102,456)
2023	\$ (1,029,795)
2024	\$ (999,303)
2025	\$ (1,077,667)
2026	\$ (33,006)
Thereafter	\$ (13,521)

Year ended December 31:	LEOFF 2
2022	\$ (478,567)
2023	\$ (445,206)
2024	\$ (420,000)
2025	\$ (474,280)
2026	\$ 4,025
Thereafter	\$ 49,632

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

**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 2021:

Aggregate OPEB Amounts - All Plans		
	2021	2020
OPEB liabilities	\$ 3,469,274	\$ 3,461,120
OPEB assets	\$ -	\$ -
Deferred outflows of resources	\$ 1,602,641	\$ 1,540,384
Deferred inflows of resources	\$ (830,584)	\$ 829,530
OPEB expense/expenditures	\$ 132,825	\$ 136,829

The most recent actuarial evaluation was performed on April 5, 2022 for the year ended December 31, 2021.

*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, 2021, 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, 2021 and 2020, using the entry age normal cost method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was \$3,469,274 and \$3,461,120, respectively, all of which was unfunded.



**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

**Assumptions and Other Inputs:**

The following actuarial methods and assumptions were made:

<b>Assumption/Input</b>	<b>Value</b>
Valuation Date	12/31/2021
Measurement Date	12/31/2021
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	13
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	2.00% at 12-31-2020 2.25% at 12-31-2021
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	2.25%
Retirement Age	55
Mortality Table	RP-2014 Mortality with 2021 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.

	<b>1% Decrease 8% decreasing to 5.0%</b>	<b>Current Healthcare Cost Trend Rate 9% decreasing to to 5.0%</b>	<b>1% Increase 10% decreasing to 5.0%</b>
Total OPEB Liability	\$ 3,302,871	\$ 3,469,274	\$ 3,676,517

The following presents the total OPEB liability of the Airport calculated using the discount rate of 2.25 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.25 percent) or 1-percentage point higher (3.25 percent) that the current rate.

	<b>1% Decrease (1.25%)</b>	<b>Current Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total OPEB Liability	\$ 3,814,353	\$ 3,469,274	\$ 3,171,847

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8 - Pension and Benefit Plans (Continued)**

**Changes in the Total OPEB Liability:**

<b>Spokane Airport Firefighter OPEB Plan</b>	
<b>Total OPEB Liability at 01/01/2021</b>	\$ 3,461,120
Service cost	-
Interest	67,364
Changes of benefit terms	0
*Differences between expected and actual experience	207,648
*Changes of assumptions	(80,986)
Benefit payments	(185,872)
Other changes	-
<b>Total OPEB Liability at 12/31/2021</b>	<b>3,469,274</b>

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

<b>Changes</b>	<b>Value</b>
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, 2021 totaled \$148,177 and \$163,293 for the year ending December 31, 2020. 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, 2021 was \$132,825 and \$136,829 for the year ending December 31, 2020.

At December 31, 2021, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,124,882	\$ 489,696
Changes of assumptions	\$ 477,758	\$ 340,887
Payments subsequent to the measurement date	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 1,602,640</b>	<b>\$ 830,583</b>

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

### Note 8 - Pension and Benefit Plans (Continued)

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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Spokane Airport Firefighters OPEB Plan
2022	\$ 65,460
2023	\$ 65,460
2024	\$ 65,460
2025	\$ 65,460
2026	\$ 65,460
Thereafter	\$ 444,757

#### 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, 2021 and 2020 was \$18,000 and \$18,000.

### 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 \$297,072 and \$262,167 for the years ended December 31, 2021 and 2020, 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 \$4,547,873 and \$3,780,648 at December 31, 2021 and 2020, 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.

### 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 2021 and 2020, the Airport recognized income of \$21,722,274 and \$18,099,005, respectively, as a result of these leases.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

---

**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,	
2022	\$ 9,723,542
2023	4,651,195
2024	3,911,275
2025	3,158,768
2026	2,657,698
Thereafter	<u>26,763,014</u>
Total future minimum rental payments	<u>\$ 50,865,492</u>

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 \$7,350,685 and \$180,954 in 2021 and 2020, respectively.

Landing fees received under agreements with all airlines amounted to \$5,550,655 and \$4,867,438 in 2021 and 2020, 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 \$142,177 in 2021 and \$141,357 in 2020 as a result of the land leases. The Airport purchases various utilities and permits from the City. In 2021 and 2020 those amounts totaled \$259,989 and \$209,917, respectively. On September 8<sup>th</sup>, 2021, the Airport entered into a Purchase and Sale Agreement with the City of Spokane for the sale of 2.895 acres for \$345,000. The parcel houses two water towers operated and maintained by the City.

The Airport has operating lease agreements with various entities within Spokane County (County), a related party. During 2021 and 2020, the Airport recognized income of \$376,026 and \$375,367, respectively, under the lease agreements. The Airport purchases various services from the County. In 2021 and 2020, those amounts totaled \$8,894 and \$9,310, respectively.

The Airport purchases the majority of its electrical power from Avista Utilities. During 2021 and 2020, employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities \$1,714,335 and \$1,697,655 in 2021 and 2020, respectively. The Airport received revenue from Avista for 2021 and 2020 in the amount of \$17,823 and \$17,503.

The Airport has a land and building lease with West Plains Airport Area PDA, a related party. The Airport recognized income of \$36,939 in 2021 and \$16,448 in 2020 as a result of the land leases.

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

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### Note 12 - Environmental Liability (Continued)

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 during a review period SIA 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. On June 20, 2020 Department of Ecology issued Permit ST0045499 authorizing 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 \$2,106,943 as of December 31, 2021 and 2020, 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, 2021, it was not known how much of these costs will be recovered from other parties, if any.

### Note 13 - Contingencies and Commitments

#### Litigation:

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

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

#### Commitments:

During the fiscal year 2021 and 2020, the Airport entered into various construction and service related contracts totaling \$42,075,388 and \$6,089,436. Commitments remaining on contracts totaled \$29,081,331 at December 31, 2021 and \$32,084,329 at December 31, 2020.

### 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.

**SPOKANE AIRPORT BOARD  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 15 - Net Position**

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

	<u>2021</u>	<u>2020</u>
Long-term assets		
Land	\$ 20,348,571	\$ 21,104,192
Construction in process	33,597,604	15,534,763
Depreciable capital assets, net	<u>221,138,632</u>	<u>237,453,360</u>
Total capital assets	<u>\$ 275,084,807</u>	<u>\$ 274,092,315</u>
Less related liabilities		
Construction Retainage Payable	\$ 1,008,949	\$ 1,213,879
Construction Warrants Payable	2,380,507	1,492,750
Current portion of long-term debt	-	456,524
Long-term debt	<u>-</u>	<u>3,674,748</u>
Total liabilities	<u>3,389,456</u>	<u>6,837,901</u>
INVESTED IN CAPITAL ASSETS	<u>\$ 271,695,351</u>	<u>\$ 267,254,414</u>

Restricted net position consists of the following:

	<u>2020</u>	<u>2020</u>
Passenger Facility Charge, investments, restricted for approved projects	\$ 3,584,925	\$ 3,114,088
Customer facility Charges	15,277,217	15,574,274
Investments restricted for repayment on debt	-	45,718
Cash restricted for retainages, deposits, and grants	2,999,179	2,998,503
Receivable from Government Agency	14,924,621	150,275
Net Pension Asset	<u>9,811,640</u>	<u>2,048,711</u>
RESTRICTED NET POSITION	<u>\$ 46,597,582</u>	<u>\$ 23,931,569</u>

**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 2021 and in 2020.

**Note 17 - Subsequent Events**

**Contracts:**

In 2022, the Airport Board approved the following contracts:

Construction contracts	\$ 1,120,447
Service contracts	4,932,570
Consulting contracts	2,779,038
Goods purchases	<u>565,000</u>
Total Contracts	<u>\$ 9,397,055</u>

## SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

---

### Note 17 - Subsequent Events (Continued)

#### Economic Events:

As the region, nation and world recovers from the COVID-19 global pandemic, passenger traffic at the Airport continues to recover toward pre-pandemic numbers. 2021 activity showed strong recovery from 2020, which continues into 2022.

On November 15, 2021, the Bipartisan Infrastructure Law (BIL) was signed into law. The Airport was awarded a combined \$6.72 million for SIA and Felts Field from the Airport Infrastructure Grant (AIG) program, which is the first year of a five-year program. The Airport expects to receive a similar amount in from 2023-2026 although the exact amounts may fluctuate. In April 2022, the Airport applied for a grant from the Bipartisan Infrastructure Law (BIL) Airport Terminal Program (ATP) that specifically allocates funding to modernize the nation's airport system. The Airport was awarded \$11 million on July 7, 2022. Like the BIL AIG program, the BIL ATP is a five-year program and the Airport may apply for future grants through this program.

On June 16, 2022, the Airport received approval of PFC application number 12 in the amount of \$81,560,000. A portion of these revenues will be used in a terminal renovation project starting in August of 2022.

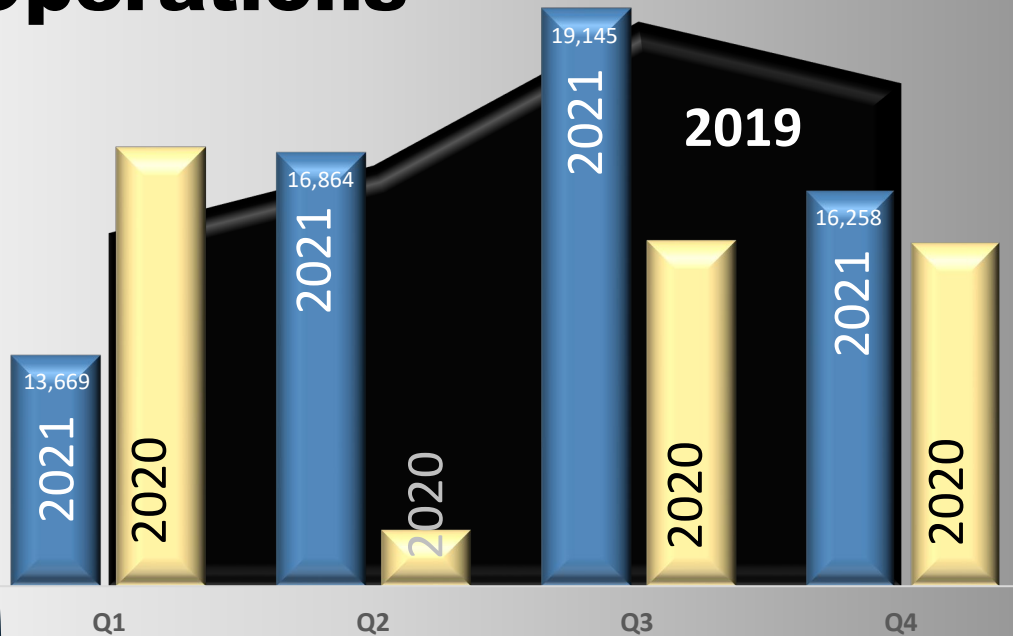
Given the actions taken by the Federal Government since the start of the pandemic, including recent passage of the Bipartisan Infrastructure Law (BIL), the Airport estimates the pandemic will have less of an adverse impact on the financial statements in the short term than was originally projected. The recovery from the pandemic is expected to continue through the next couple years. 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 Airport management at the outset of the pandemic have resulted in the Airport's financial statements being in a better position than originally projected.







## Airport Operations



Required  
Supplemental  
Information

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

**State Sponsored Pension Plans**

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

<b>PERS 1</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Employer's proportion of the net pension liability (asset)	0.037762%	0.043163%	0.043428%
Employer's proportionate share of the net pension liability	\$ 461,162	\$ 1,523,887	\$ 1,669,961
Employer's covered payroll	5,714,844	6,551,262	6,144,088
Employer's proportionate share of the net pension liability as a percentage of covered payroll	8.07%	23.26%	27.18%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%
<b>PERS 2/3</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Employer's proportion of the net pension liability (asset)	0.048575%	0.055949%	0.056091%
Employer's proportionate share of the net pension liability (asset)	\$ 4,838,852	\$ 715,556	\$ 544,834
Employer's covered payroll	5,714,844	6,551,262	6,144,088
Employer's proportionate share of the net pension liability as a percentage of covered payroll	84.67%	10.92%	8.87%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%
<b>LEOFF 1</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Employer's proportion of the net pension liability (asset)	0.032872%	0.033059%	0.032810%
Employer's proportionate share of the net pension liability (asset)	\$ (1,126,050)	\$ (624,322)	\$ (648,526)
Employer's covered payroll	-	-	-
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (7,616,579)</u>	<u>\$ (4,222,900)</u>	<u>\$ (4,386,614)</u>
<b>TOTAL</b>	<b><u>\$ (8,742,629)</u></b>	<b><u>\$ (4,847,222)</u></b>	<b><u>\$ (5,035,140)</u></b>
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	187.45%	146.88%	148.78%
<b>LEOFF 2</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Employer's proportion of the net pension liability (asset)	0.066227%	0.069828%	0.070087%
Employer's proportionate share of the net pension liability (asset)	\$ (3,846,738)	\$ (1,424,389)	\$ (1,623,701)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>(2,481,566)</u>	<u>(910,784)</u>	<u>(1,063,306)</u>
<b>TOTAL</b>	<b><u>\$ (6,328,304)</u></b>	<b><u>\$ (2,335,173)</u></b>	<b><u>\$ (2,687,007)</u></b>
Employer's covered payroll	2,549,438	2,659,260	2,471,461
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-248.22%	-87.81%	-108.72%
Plan fiduciary net position as a percentage of the total pension liability	142.00%	115.83%	119.43%

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

**State Sponsored Pension Plans (Continued)**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.041895%	0.042622%	0.040130%	0.039292%	0.041972%
\$ 1,871,045 5,584,050	\$ 2,022,447 5,960,060	\$ 2,155,170 4,868,988	\$ 2,072,175 4,524,442	\$ 2,112,914 4,617,726
33.51%	33.93%	44.26%	45.80%	45.76%
63.22%	61.24%	57.03%	59.10%	61.19%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.053522%	0.054863%	0.051356%	0.050566%	0.053087%
\$ 913,841 5,584,050	\$ 1,906,227 5,960,060	\$ 2,585,734 4,868,988	\$ 1,838,537 4,515,039	\$ 1,075,519 4,587,162
16.37%	31.98%	53.11%	40.72%	23.45%
95.77%	90.97%	85.82%	89.20%	93.29%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.032389%	0.032609%	0.034301%	0.035194%	0.036583%
\$ (588,023) -	\$ (494,750) -	\$ (353,398) -	\$ (424,165) -	\$ (443,675) 23,038
<u>\$ (3,977,373)</u>	<u>\$ (3,346,479)</u>	<u>\$ (2,390,378)</u>	<u>\$ (2,869,042)</u>	<u>\$ (3,001,007)</u>
<u>\$ (4,565,396)</u>	<u>\$ (3,841,229)</u>	<u>\$ (2,743,776)</u>	<u>\$ (3,293,207)</u>	<u>\$ (3,444,682)</u>

-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%
144.42%	135.96%	123.74%	127.36%	126.91%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.071336%	0.074294%	0.073676%	0.082249%	0.080339%
\$ (1,448,276)	\$ (1,030,960)	\$ (428,522)	\$ (839,853)	\$ (1,060,517)
<u>(937,732)</u>	<u>(668,764)</u>	<u>(279,365)</u>	<u>(555,133)</u>	<u>\$ (692,922)</u>
<u>\$ (2,386,008)</u>	<u>\$ (1,699,724)</u>	<u>\$ (707,887)</u>	<u>\$ (1,394,986)</u>	<u>\$ (1,753,439)</u>

2,372,143	2,476,968	2,278,302	2,384,962	2,256,310
-100.58%	-68.62%	-31.07%	-58.49%	-77.71%
118.50%	113.36%	106.04%	111.67%	116.75%

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

**State Sponsored Pension Plans (Continued)**

Schedule of Employer Contributions  
As of December 31

<b>PERS 1</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Statutorily or contractually required contributions	\$ 230,504	\$ 303,072	\$ 318,572
Contributions in relation to the statutorily or contractually required contributions	230,504	303,072	318,572
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	5,382,802	6,319,335	6,144,088
Contributions as a percentage of covered payroll	4.28%	4.80%	5.19%
<b>PERS 2/3</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Statutorily or contractually required contributions	\$ 383,769	\$ 500,492	\$ 497,916
Contributions in relation to the statutorily or contractually required contributions	383,769	500,492	497,916
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employer payroll	5,382,802	6,319,335	6,144,088
Contributions as a percentage of covered payroll	7.13%	7.92%	8.10%
<b>LEOFF 1</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
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%
<b>LEOFF 2</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Statutorily or contractually required contributions	\$ 130,522	\$ 135,958	\$ 134,741
Contributions in relation to the statutorily or contractually required contributions	130,522	135,958	134,741
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employer payroll	2,542,072	2,639,947	2,471,461
Contributions as a percentage of covered payroll	5.13%	5.15%	5.45%

\* 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.

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

---

**State Sponsored Pension Plans (Continued)**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
\$ 290,805	\$ 271,541	\$ 245,770	\$ 205,343	\$ 182,726
290,805	271,541	245,770	205,343	182,726
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
5,741,232	5,538,859	5,193,812	4,669,550	4,543,077
5.07%	4.90%	4.73%	4.40%	4.02%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
\$ 430,625	\$ 380,628	\$ 321,470	\$ 263,805	\$ 227,331
430,625	380,628	321,470	263,805	227,331
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
5,741,232	5,538,859	5,193,812	4,669,550	4,543,077
7.50%	6.87%	6.19%	5.65%	5.00%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 *</b>
\$ 125,868	\$ 120,068	\$ 112,905	\$ 119,085	\$ 119,032
125,868	120,068	112,905	119,085	119,032
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2,397,478	2,330,224	2,235,741	2,358,113	2,357,062
5.25%	5.15%	5.05%	5.05%	5.05%

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

**Other Postemployment Health Care Benefits (Continued)**

The following information is based on an actuarial report prepared on April 5, 2022, for the fiscal years ending December 31, 2021 and 2020.

**Schedule of Changes in Total OPEB Liability and Related Ratios**

For the year ended December 31, 2020

Last 10 Fiscal Years\*

	<u>2021</u>	<u>2020</u>
<b>Total OPEB liability - Beginning</b>	\$ 3,461,120	\$ 3,031,126
Service cost	-	-
Interest	67,364	81,111
Changes in benefit terms	-	-
Differences between expected and actual experience	207,648	326,458
Changes of assumptions	(80,986)	185,718
Benefit payments	(185,872)	(163,293)
Other changes	-	-
<b>Total OPEB liability - ending</b>	<u><u>3,469,274</u></u>	<u><u>3,461,120</u></u>
<b>Plan fiduciary net position</b>		
Contribution	\$ 185,872	\$ 163,293
Net Investment Income		
Benefit Payments	(185,872)	(163,293)
Administrative Expense	-	-
Other	-	-
<b>Net Change in Fiduciary Net Position</b>	<u>-</u>	<u>-</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>-</u>	<u>-</u>
<b>Plan Fiduciary Net Position - Ending</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Net OPEB Liability</b>	<u><u>3,469,274</u></u>	<u><u>3,461,120</u></u>
<b>Plan Fiduciary Net Position as a % of Total OPEB Liability</b>	0.00%	0.00%
<b>Covered-employee payroll</b>	\$ -	\$ -
<b>Total OPEB liability as a % of covered payroll</b>	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.

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

---

**Other Postemployment Health Care Benefits (Continued)**

2019	2018	2017	2016
\$ 2,446,912	\$ 3,062,684	\$ 3,202,985	\$ 2,961,892
-	-	-	-
91,028	98,577	117,440	86,200
113,328	-	-	-
356,852	(430,493)	(261,003)	613,175
163,432	(132,858)	145,743	(281,172)
(140,426)	(150,998)	(142,481)	(177,110)
<u>3,031,126</u>	<u>2,446,912</u>	<u>3,062,684</u>	<u>3,202,985</u>
\$ 140,426	\$ 150,998	\$ 142,481	\$ 142,481
-	-	-	-
(140,426)	(150,998)	(142,481)	(142,481)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>3,031,126</u>	<u>2,446,912</u>	<u>3,062,684</u>	<u>3,202,985</u>
0.00%	0.00%	0.00%	0.00%
\$ -	\$ -	\$ -	\$ -
N/A	N/A	N/A A	N/A

**SPOKANE AIRPORT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION**

---

**Other Postemployment Health Care Benefits (Continued)**

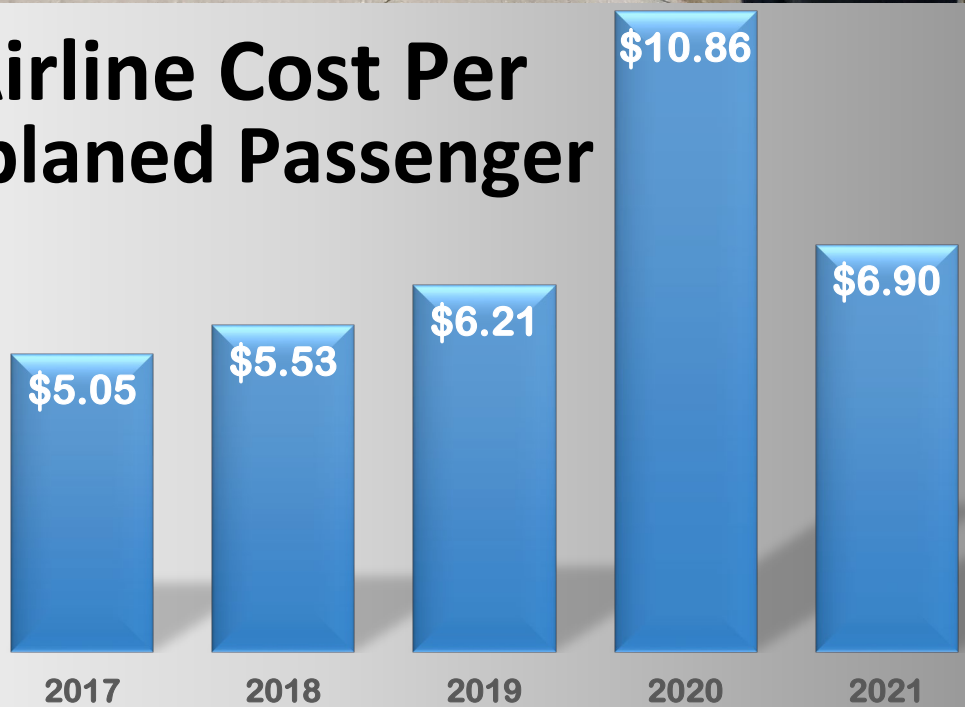
The following actuarial methods and assumptions were made:

<b>Assumption/Input</b>	<b>Value</b>
Valuation Date	12/31/2021
Measurement Date	12/31/2021
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	13
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	2.00% at 12-31-2020 2.25% at 12-31-2021
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	2.25%
Retirement Age	55
Mortality Table	RP-2014 Mortality with 2021 Improvement Rate
Turnover Table	T2 Table
Number of Participants in plan	11
Changes in Benefits	None
Salary changes	Not applicable





## Airline Cost Per Enplaned Passenger



Internal  
Control



## **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 (the "Airport"), which comprise the statement of net position as of and for the year ended December 31, 2021, 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 August 26, 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 the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that 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  
August 26, 2022



9000 West Airport Drive

Spokane, WA 99224