



**Office of the Washington State Auditor
Pat McCarthy**

August 12, 2019

Board of Directors
Spokane Airport Board
Spokane, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Spokane Airport Board for the fiscal year ended December 31, 2018. The Airport contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA



SPOKANE AIRPORT BOARD

2018
◆ ANNUAL REPORT

“Embracing our History”



Securing our Future"

Larry Krauter



The background of the cover is a photograph of an airport terminal. It features a high, vaulted ceiling with a complex network of white structural beams and large glass panels that allow natural light to filter in. In the foreground, there are several rows of empty, light-colored plastic airport-style seats with slatted backs. The floor is made of large, light-colored tiles.

SPOKANE AIRPORT BOARD

COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS

For the years ending
December 31, 2018 & 2017



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Spokane, Washington

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

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Introductory Section





Spokane International Airport

BUSINESS PARK AND FELTS FIELD

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May 20, 2019

To the Spokane Airport Board:

The Comprehensive Annual Financial Report (CAFR) of the Spokane Airport Board (Board) for the fiscal year ended December 31, 2018 is hereby submitted to the Board and all others interested in the financial condition of Spokane International Airport, the Airport Business Park and Felts Field. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, of the report rests with the Airport management. To the best of our knowledge and belief, the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB).

GAAP requires management to provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A summarizes the Statement of Net Position along with the Statement of Revenues, Expenses and Changes in Net Position as well as comparing the current year to prior years. This introductory letter should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the financial section of the CAFR.

The independent auditor, Moss Adams, LLP, has rendered an unmodified ("clean") opinion that the financial statements for the year ended December 31, 2018, present fairly, in all material respects, the financial position, changes in net position and cash flows. Moss Adams also rendered an unmodified opinion regarding the Passenger Facility Charge program in a separate report.

The Washington State Auditor's Office (SAO) performs the Federal single audit of all federally funded grant programs. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The SAO also performs an Accountability Audit consisting of an examination of compliance and the safeguarding of public resources. These results of these two audits are produced in separate reports.

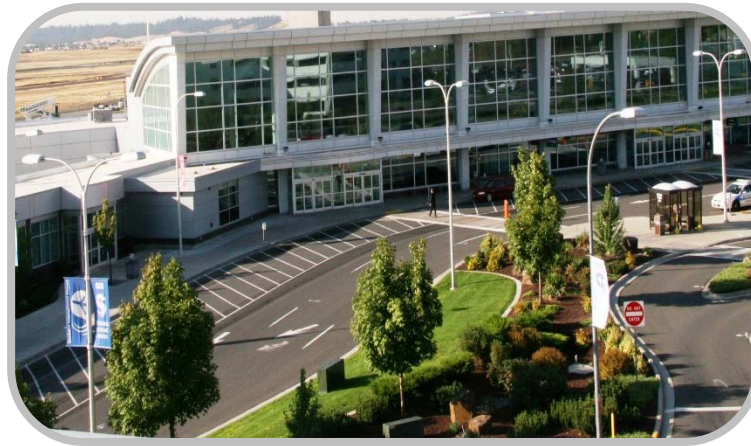
Organization

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

The Airport Board consists of seven members appointed by the City and the County. Three Board members are appointed by the City, one of which is to be a member of the City Council; three are appointed by the County, one of which is to be a member of the Board of County Commissioners; and the seventh is appointed jointly by the City and the County. The Board members receive no salary or compensation for

their services, but by resolution of the Board, may be reimbursed for their actual expenses paid or obligated to be paid in connection with services rendered solely for the benefit of the Board.

The Board employs the Chief Executive Officer, subject to the City and County approval. Employees of the Airport are not considered employees of either the City or the County. The Airport's staff is organized into departments, each managed by personnel appointed by and reporting directly to the CEO. The departments are: Airport Rescue and Firefighting (ARFF), Finance and Accounting, Human Resources, Information Technology, Marketing and Public Affairs, Operations and Maintenance, Parking and Ground Transportation, Planning and Engineering, Police, and Properties and Contracts. The organizational chart that follows this letter reflects the operational structure as of December 31, 2018.



Spokane International Airport (SIA) is located six miles west of the business center of the City. It is the third largest and busiest airport in the contiguous Pacific Northwest region in terms of passenger traffic, behind Seattle-Tacoma International Airport and Portland International Airport. With recent land acquisitions, SIA encompasses approximately 6,460 acres and includes two runways, 3-21 and 7-25, and associated taxiways. There is a continuously operating FAA Airport Traffic Control Tower (ATCT) and Terminal Radar Approach Control (TRACON) facility along with U.S. Customs

and Border Protection support services. Other services at SIA include cargo handling, aircraft maintenance hangars, aircraft painting facilities, and a fixed-base operator (FBO) for corporate and general aviation that provides fueling operations as well as aircraft storage and parking. The Airport Board also owns a fire station, a fuel storage facility, a maintenance building, a snow removal equipment storage building, and other airfield support structures. The Airport Board owns and operates two terminal buildings that handle scheduled passenger airlines as well as two parking structures and 8 other surface parking lots dedicated to passenger and employee use.



The Airport Business Park (ABP) includes approximately 540 acres adjacent to SIA. The ABP is served by a direct interchange with Interstate 90, the main east-west interstate freeway from Seattle to Boston, and includes the US Postal Service Regional Processing and Distribution Center, the region's waste-to-energy facility, and a wide variety of corporate offices, recycling, warehousing, manufacturing, and shipping facilities. The Airport Board owns a number of buildings in the ABP, including buildings that comprise the Geiger Correction Facility, two separate office complex buildings, one free standing

warehouse, as well as a maintenance facility. Efforts to prepare property for future aeronautical and commercial development resulted in the Airport removing functionally obsolete structures in recent years.



Felts Field, designated as a general aviation reliever airport for SIA, is located approximately four miles east of the City's business center, allowing general aviation operations to be located away from larger/high-performance corporate, commercial passenger and air cargo aircraft operations at SIA. It encompasses roughly 400 acres of land and is used primarily for general aviation, flight instruction and aviation maintenance schools, aircraft maintenance, and charter services. The facility is also headquarters to a regional Medevac flight operation. Felts Field also has an Airport Traffic

Control Tower that is part of the Federal Contract Tower program along with the FAA's Flight Standards District Office (FSDO). There are approximately one hundred sixty (160) fixed-wing and thirteen (13) rotary aircraft based at Felts Field.

Economic Conditions and Outlook

Local Population and Economy

The US Census Bureau defines the Combined Statistical Area (CSA) of the region the Airport serves as Spokane, Stevens and Pend Oreille Counties in Washington along with Kootenai County, Idaho. Larger cities located within Spokane County include Spokane, Spokane Valley, Cheney, Airway Heights, Deer Park, and Liberty Lake. Colville is the largest community in Stevens County which lies to the northwest of Spokane. Pend Oreille County is situated due north of Spokane County with the largest community of Newport. Coeur d'Alene is the largest city in Kootenai County and is approximately 35 miles east of Spokane.

The total estimated population of the four counties making up the CSA is approximately 711,000. The City of Spokane is the second largest city in the state of Washington behind only Seattle and the third largest in the American portion of the Pacific Northwest, behind Seattle and Portland, Oregon. Additional demographic information about SIA's primary service area, as well as its secondary service area, may be found in the statistical section of this report.

Spokane's economy revolves around the following industries: Aerospace, Banking and Financial Services, Health Care, Higher Education, Government Services, Information Technology, Manufacturing, Retail and Hospitality and related Service Industries.

The single largest employer in Spokane County is Fairchild Air Force Base with 5,935 Full Time Equivalent Employees (FTEs) followed by Providence Health Care of Eastern Washington with 5,425 FTEs. The largest employer in Kootenai County, Idaho is Kootenai Health with almost 3,000 FTEs.

Fairchild Air Force Base is the largest tanker base in the western United States, housing KC-135 refueling aircraft. The number of these aircraft is scheduled to increase to 60 by 2020, which will make it the largest tanker base in the entire country.

Spokane serves as the regional head of a combined network Providence St. Joseph Health's Washington / Montana region with 13 hospitals. Kootenai Health in Coeur d'Alene, Idaho is a member of the Mayo Clinic Care Network with access to the Mayo Clinic's research, treatment, and diagnosis assistance.

Seattle based Amazon.com began construction on a four story, 2.6 million square foot fulfillment center on an 80-acre site on Geiger Boulevard southwest of the airport. The internet retailer is forecast to hire 1,500

positions upon opening the facility, with the possibility of increasing that number to 3,000 positions during holiday seasons.

International and Domestic Air Travel Industry Recap and Future Outlook

Various airline industry trade organizations, industry experts, and the Federal Aviation Administration (FAA) all forecast continued growth in air carrier routes, destinations, passengers, consumer spending, and airline profits.

International Air Transport Association (IATA) is forecasting a 5.6% increase in enplaned passengers globally in 2019. Economic development worldwide is getting a boost from air transport due to increasing connections between cities. The number of unique city pair connections (e.g.: Spokane - Seattle) exceeded 21,000 in 2018 and is forecast over 22,000 in 2019. Commercial airlines were forecast to take delivery of over 1,780 new aircraft, with half scheduled to replace existing fleets. IATA forecasts airlines' fuel bills will represent over 24% of average operating costs. North America is the strongest region, according to IATA, with post-tax profits of \$16.6 billion suggested in 2019 representing a net profit of \$16.77 per passenger.

Airlines for America (A4A), the industry trade organization for the leading airlines in the U.S., mirrors much of what IATA reports. In an industry review and outlook presentation updated in May 2019, A4A states US airline passenger and cargo volumes reached all-time highs in 2018, both approximately 4.5% higher than 2017. A4A also reports fuel as their number one operating cost, followed by labor. Airport costs were a small percentage of airlines' operating costs. Daily scheduled seats for all destinations are forecast to increase 4% in 2019, following a similar increase in 2018. Scheduled service in smaller communities, defined as airports serving less than 0.25% (a small hub airport such as Spokane) of annual boarding passengers, is forecast to increase in 2019, the fourth year in a row of increase. The number of seats available out of smaller airports will be the highest ever.

In its Aerospace Forecast for Fiscal Years 2019 - 2039, the Federal Aviation Administration (FAA) states there is confidence that U.S. airlines have transformed from a capital intensive, highly cyclical industry to one that generates solid returns on capital and sustained profit. The FAA forecast calls for domestic passenger growth over the next twenty years to average 1.8% per year. The increases seen since 2014 will continue in 2019 driven by positive economic conditions. Over the long term, the FAA sees a competitive and profitable aviation industry characterized by increasing demand for air travel and airfares growing more slowly than inflation, reflecting over the long term a growing U.S. and global economy.

According to the FAA, commercial air carrier industry in 2019 will respond to four trends already underway: (1) selective capacity expansion; (2) steady growth of seats per aircraft, whether through up-gauging or reconfiguring existing aircraft; (3) increasing competitive pressure due to low-cost carrier (LCC) expansion; and (4) increasing price discrimination through ancillary revenues and revenue management systems.

There are now six major airlines in the U.S. (American, Delta, Southwest, United, Alaska/Virgin, and Jet Blue) controlling approximately 85% of the U.S. market. All of these carriers but Jet Blue service Spokane. The FAA states that further consolidation appears to be rather limited.

There is continuing pressure on regional carriers as there are fewer contracts with the remaining dominant carriers. In 2018, the mainline carrier group provided 14.8 percent more capacity than in 2007 while carrying 17.8 percent more passengers. Capacity flown by the regional group has risen just 0.5 percent over the same period (with passengers carried down 1.5 percent). Additional pressure for regionals comes from the continuing, however lessening, pilot shortages and increasing labor costs to combat that shortage. The move from 50-seat to 70-seat regional jets should prove beneficial in the future since their costs are lower.

The trend by airlines in collecting ancillary fees continues. Carriers generate revenues by selling products and services beyond the airline ticket. The un-bundling of services from the airline ticket price in prior years included checked bags, on-board meals, and flight change fees. In more recent years, airlines have added fees for boarding priority and internet access. Airlines are further segmenting passengers into more discreet categories by charging for comfort amenities such as seat pitch, leg room, access to social media outlets.



Economic fares under various names, have appeared in the past couple of years, in order to protect market share in response to the LCC market. LCC enplanements have grown by 36% since 2007 while regional carrier enplanements have decreased 1.5% in the same time frame.

A growing issue facing carriers, the FAA, and airports is the proliferation of unmanned aircraft systems (UAS), popularly called “drones,” of various sizes and complexity. Over 900,000 owner-hobbyists had registered model aircraft equipment weighing less than 55 pounds online by December 31, 2018. Trends observed in registrations over the past year, the FAA forecasts that the hobbyist fleet of UAS will likely attain its peak over the next five years. This gradual saturation projected parallels other consumer technology products.

Commercial use of UAS requires owners to register each aircraft, whereas the model hobbyist only registers as an individual. The non-model commercial sector is dynamic and the

growth rate is anticipated to accelerate over the next few years.

Late in 2018 Congress passed and President Trump signed an extension to the FAA’s authority and provided funding levels through September 2023. Although funding levels have been provided, the airport industry, particularly small and non-hub airports, remain exceedingly concerned about cost shifts from other agencies to airports and methods of financing capital improvements in order to address ongoing safety, security, and capacity needs.

Spokane’s specific interests are wide ranging: modernization of the PFC program, protection of the Airport Improvement Program, Alternative Minimum Tax (AMT) effects on financing mechanisms, the Small Community Air Service Development Program, pilot shortages, Federal Contract Tower program, the Contract Weather Observer program, the impacts of Unmanned Aviation Systems (UAS) or Vehicles (UAV) and general FAA regulatory overreach.

Local Air Service

The SIA market area does not have significant overlap with other market areas of commercial service airports in the region, which limits the leakage of passengers to competing airports. SIA is the primary provider of commercial air transportation in and out of Northeastern Washington and Northern Idaho. Pullman-Moscow Regional Airport is 75 miles south of Spokane and has direct passenger service only to Seattle. The closest airport serving nationwide passengers is the Tri-Cities airport (PSC) located in Pasco, WA, approximately 135 miles to the southwest. PSC has direct flights to Seattle, Portland, San Francisco, Minneapolis/St. Paul, Denver, Salt Lake City, Los Angeles, Las Vegas and Mesa, Arizona. Other airports with passenger service include the Missoula, MT airport (MSO) located approximately 200 miles to the southeast, large hub Seattle Tacoma International Airport (SEA) approximately 300 miles west and large hub Portland International Airport (PDX) approximately 350 miles southwest of Spokane.

The Airport’s primary air service objectives include retaining all existing scheduled passenger service and adding new nonstop service, increasing frequency (take-offs / landings) and capacity (seats) in existing markets and to add new and existing destinations through incumbent and new entrant carriers. As of December 31, 2018, there were six airlines providing regularly scheduled services at SIA: Alaska Airlines (including Horizon), American Airlines, Delta Air Lines, Frontier Airlines, Southwest Airlines, and United Airlines. In 2018, Alaska carried 33.4% of enplaned passengers (down from 36.2% in 2017); Delta carried 22.2% (down from 23.5%), Southwest carried 23.1% (down from 23.8%), United carried 12.9% (up from 10.6%), and American carried 7.0% (up from 5.8%).

In 2018, one new nonstop city, San Jose, was added by Southwest Airlines after five new routes being added in 2017. Also in 2018, Alaska Airlines initiated nonstop service to San Diego. In all, sixteen destination airports were served nonstop from SIA during at the end of 2018, including Boise, Chicago-O'Hare, Dallas-Fort Worth, Denver, Las Vegas, Los Angeles, Minneapolis, Oakland, Phoenix, Portland, Salt Lake City, Sacramento, San Diego, San Francisco, San Jose, and Seattle-Tacoma.

With the market response to additions in seat capacity and destinations, SIA's 2018 total passenger count set a new record increasing 12.6% over 2017 to 3,998,272 and eclipsing the previous record set in 2017. The 2018 increase in total passengers followed a 9.8% increase in 2017, a 3.2% increase in 2016, and a 4.9% increase in 2015.

This trend continues into the future with Southwest Airlines announcing daily service to San Diego, CA in June of 2019. The addition of new flights continues to increase the number of available originating seats and is a good indication of forward growth in passenger activity over the previous year.

Along with the sixteen nonstop cities served, 1,460 single stop connections are available from SIA to 238 unique U.S. destinations. The Airport continuously develops marketing strategies to attract air service to new destinations from existing or new carriers. Routes targeted for nonstop service include Atlanta, Calgary, additional Los Angeles basin service, as well as an East Coast hub in the mid-Atlantic region.

The financial condition of the Airport is highly dependent upon the number of passengers using the Airport. Passenger levels, in turn, are dependent upon several factors. Those factors include the economic conditions of the airline industry which influences the airlines' willingness and ability to provide service; the available seat capacity offered by carriers who serve our market; the local economy which influences the willingness and ability of consumers to purchase air travel; along with the cost of air travel. When considering the factors with many influences outside the control of the Airport, continued moderate growth in traffic is anticipated for the foreseeable future.

Major Initiatives

Capital Improvement Program

The overall guiding document in the development of SIA, ABP and Felts Field is the Airport Layout Plan (ALP) supported by a Master Plan document. The ALP is a graphical illustration of the Master Plan. The ALP is the document, approved by the FAA and City and County, which directs development of Airport facilities to accommodate projected demand and forecast growth. Additional information on the Master Plan may be found in Long Term Financial Planning later in this letter

The Capital Improvement Program (CIP) is developed from the ALP and other external drivers of projects and is updated annually. The purpose of the CIP process is to evaluate, prioritize, and coordinate proposed projects for a three to five-year period. Projects that may require FAA funding in the future are updated with

the FAA annually. The projects developed through the planning process may not only require the use of Federal funding, but also State grants, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), short and long-term debt, and funds or cash flow generated by operation of the Airport.



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

Fiscal Year 2018 Substantially Completed Construction and Other Projects at SIA:

Project	Cost	Funding Source(s)
Rehabilitation of Taxiway C & Magnetic Variation Adjustment Runway 8/26	\$17,100,000	AIP & General Airport Revenues
Surface Parking Lot Expansion	7,200,000	General Airport Revenues
C-Store Site Improvements & Utilities	3,700,000	General Airport Revenues
Airfield Snow Removal Equipment	3,200,000	Passenger Facility Charges (PFC) - 11
Airport Road Signage Improvements	1,000,000	General Airport Revenues
Airfield Pavement Weather Sensors	907,000	PFC - 11
Airport Security Upgrades	837,000	PFC - 10 & Airport General Revenues
Other Building Improvements	707,000	General Airport Revenues
Other Terminal Improvements	628,000	TSA & General Airport Revenues
Vehicle and Equipment Additions	571,000	General Airport Revenues
Property Acquisitions	350,000	General Airport Revenues

Fiscal Year 2018 Substantially Completed Construction and Other Projects at Airport Business Park:

Project	Cost	Funding Source(s)
Tenant Leasehold Improvements	\$ 793,000	General Airport Revenues
Vehicle and Equipment Additions	36,000	General Airport Revenues

Fiscal Year 2018 Substantially Completed Construction and Other Projects at Felts Field:

Project	Cost	Funding Source(s)
Aircraft Fuel Facility	\$ 2,400,000	General Airport Revenues
Property Acquisitions	638,000	General Airport Revenues
Building Improvements	270,000	General Airport Revenues
Equipment Additions	31,000	General Airport Revenues



Fiscal Year 2018 CIP and beyond at SIA and Felts Field - Continuing and Budgeted New Projects:

Project	Estimated Cost	To-Date Costs Incurred	Funding Source(s)
Runway 8/26 Improvements - SIA	\$ 20,000,000	\$ 495,000	AIP & General Airport Revenues
Airport Security Upgrades Phase 2 - SIA	11,000,000		PFC - 10
Terminal Rehabilitation - SIA	10,300,000	1,600,000	PFC - 11
Hangar Design / Construction - FF	6,000,000	2,300,000	Debt Issuance - General Airport Revenues
Car Rental Improvements - SIA	4,900,000		CFC
TREX Design to 30% - SIA	4,000,000	1,500,000	PFC
Surface Parking Lot - SIA	3,000,000		General Airport Revenues
Railway Trunk Extension - SIA	2,500,000	706,000	State Appropriations - General Airport Revenues
In-Line Baggage Explosive Detection Equipment - SIA	2,500,000	10,000	TSA Other Transactional Agreement
Airfield Ramp Improvements - SIA	1,500,000		General Airport Revenues
Airfield Ramp / Taxiway Improvements - FF	1,000,000		General Airport Revenues
Equipment Purchases - SIA / ABP / FF	1,000,000		General Airport Revenues
Master Plan - FF	660,000	228,000	AIP - General Airport Revenues
Runway Pavement Sensors - SIA	1,000,000		PFC - 11
Land Acquisitions - SIA & FF	528,000		General Airport Revenues
Equipment Purchases - SIA / ABP / FF	350,000		General Airport Revenues
Master Plan - FF	660,000	5,000	AIP - General Airport Revenues

Major Maintenance Program

The staff recommends and the Board approves numerous maintenance programs as part of each year's budget process. Maintenance projects require funding from general airport revenues. Such projects entail the repair and maintenance of the physical assets of the Airport and are not capitalized as fixed assets. As part of the budgeting process, department heads identify, evaluate, prioritize, and coordinate proposed projects for a two to five-year period. Maintenance items deferred in previous years will continue to be addressed each year on a more appropriate basis.

Maintenance projects in 2018 included surface parking lot repairs, sidewalk repairs in the ABP, building roof repairs at Felts Field along with general heavy equipment repairs. Other significant maintenance projects at SIA related primarily to crack sealing of taxiways, and replacing runway and taxiway markings

Federal and State Funding

The Airport is a recipient of funds from the FAA's Airport Improvement Program (AIP), which provides grants from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grant amounts received under this program in fiscal year 2018 totaled \$14.5 million for SIA and \$81,000 for Felts Field. SIA utilized Other Transactional Agreements (OTA) with the Transportation Security Administration in 2018 in the amount of \$412,000 with another \$2.5 million committed over the next 2 years for upgrades to the In-Line Baggage Explosive Detection System. The Airport utilizes state grants as they are available. In 2018, state grants utilized at SIA and Felts Field totaled \$1,200. The State of Washington committed \$2.0 million

of appropriations for SIA in 2018 to extend a trunk rail line further into Airport owned property. Construction on the rail line continues into 2019.

Passenger Facility Charge (PFC) Program

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

The Airport is a recipient of funds from the FAA's Airport Improvement Program (AIP), which provides grants from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility programs. The FAA offers both entitlement and discretionary grants for eligible projects. Grant amounts received under this program in fiscal year 2018 totaled \$14.5 million for SIA and \$81,000 for Felts Field. SIA utilized Other Transactional Agreements (OTA) with the Transportation Security Administration in 2018 in the amount of \$412,000 with another \$2.5 million committed over the next 2 years for upgrades to the In-Line Baggage Explosive Detection System. The Airport utilizes state grants as they are available. In 2018, state grants utilized at SIA and Felts Field totaled \$1,200. The State of Washington committed \$2.0 million of appropriations for SIA in 2018 to extend a trunk rail line further into Airport owned property. Construction on the rail line continues into 2019.

Leasing and Business Development Activity

The Airport and the signatory airlines along with the two principal freight carriers participate in annual discussions regarding a new use agreement. As part of those discussions, the Airport's residual airport use agreement with its signatory airlines was extended through December 31, 2019 with minor modifications. Five of the passenger carriers at SIA operate as signatories to the agreement, while the sixth operates as non-signatory. The two air cargo companies, Federal Express (FedEx) and United Parcel Service (UPS) have agreements that are similar in nature to the signatory passenger air carriers.

Nine rental car brands operate on-site providing services to travelers. The nine brands are Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless and Thrifty. A new lease and concession agreement with the agencies owning the brands was completed during 2017 for a five-year period which will expire September 30, 2022.

Two significant aircraft maintenance companies serve as the cornerstone of the Aerospace and Maintenance, Repair and Overhaul (MRO) cluster. One of these companies, International Aerospace Coatings (IAC), leases one building along with leasing adjacent land where they have constructed a second paint hangar that opened in June 2014. IAC is a world leader in specialist aviation painting with locations in the United States and Europe.

Aero-Flite, Inc. has located their main offices, headquarters, and aerial firefighting fleet in Spokane. Aero-Flite is a private company providing contracted firefighting aircraft and crews to the US Forest Service.

SIA currently has a Fixed Base Operator (FBO), operating as Signature Flight Support. Signature provides general aviation and charter aircraft support, pilot support, fuel, and aircraft storage. Signature also provides fueling services for the commercial airlines and cargo carriers serving SIA.

Other aviation businesses operating at SIA include Absolute Aviation, Horizon Air Industries, Empire Airlines and Merlyn Products. Absolute Aviation provides aeronautical equipment repair services. Horizon Air Industries leases space on the airfield to operate an overnight (8PM - 8AM) maintenance base and performs routine inspections on their Q400 aircraft. Horizon also leases space for a regional Ground Support Equipment (GSE) repair and maintenance base. Empire Airlines, FedEx's largest feeder, leases a hangar facility and maintains their fleet of single engine Cessna 206 "Caravan" aircraft. Merlyn Products designs, builds, installs and tests new lightweight, more efficient aircraft components.

The Aerospace Initiative for Recruitment (AIR) Spokane is comprised of the leadership from the City of Spokane, Spokane County, Avista Corp., Spokane International Airport, the Community Colleges of Spokane, and Greater Spokane Incorporated. AIR Spokane is focused on recruitment, retention and expansion of the aerospace industry segment focused on the identified strengths of the region to support aircraft interiors, aero-structures, aluminum production and fabrication as well as engineering design centers.

The Airport's role in AIR Spokane is two-fold. First, the Airport is the gateway to the global aerospace marketplace and plays a supporting role in retention, expansion and recruitment of aerospace businesses. Second, the Airport's significant land holdings can support development of a variety of aerospace businesses that benefit from close proximity to the Airport as well as proximity to rail and highway transportation networks. Targeted recruitment and siting of aerospace business in the existing cluster and near the Airport may allow for additional opportunities for assembly of larger components for OEMs and contribute to Airport revenues through land sales or leases, contribute to the regional economy through growth in jobs and median income, which in turn increases demand for air service.

In 2017, the City and County of Spokane executed an Interlocal Agreement to form a Public Development Authority (PDA) for the West Plains / Airport area. The purpose of this PDA is to align resources and services to facilitate development on and around the Airport consistent with the Airport Layout Plan, Aerospace Supply Chain Study, the work of AIR Spokane and other initiatives. The Airport has representatives participating as Board Members of the PDA to assist in directing the operations of the PDA.

In the Airport Business Park, activities vary from waste incineration and recycling collection, manufacturing, general office space and a corrections facility. The City of Spokane's Waste to Energy plant is adjacent to a single stream recycling facility operated by Waste Management, Inc. These operations are located on airport property and the operators lease property from the Airport. Various companies lease entire buildings from the Airport, while others lease configured office space inside of multi-tenant buildings. Spokane County operates the Geiger Corrections facility in the Business Park under a lease agreement.

The FBO at Felts Field is Western Aviation. Western provides aircraft maintenance and fuel dispensing. Northwest Flight Service provides flight school training, along with aircraft and avionics maintenance services. Spokane Turbine Center (STC) leases land for their two buildings where they operate a private aircraft maintenance school and pilot training center. A for-profit subsidiary of STC, Parkwater Aviation, provides recurrent pilot training on Quest Aviation's Kodiak turbo-prop driven aircraft for Federal agency and corporate aviators. Both Western Aviation and Spokane Turbine Center have been expanding their facilities and operations. Rocket Engineering provides aircraft modification services. Inland Helicopters provides flight services and pilot training. Life Flight Network operates the region's premier critical care transport service. The Spokane Community College operates an aviation maintenance program out of two buildings with airfield access at the airport. Construction began late in 2018 on a hangar to be leased to Historic Flight Foundation, a non-profit educational operation with a mission to collect, restore, and share significant historical aircraft. Occupancy is planned for October of 2019.

The overall impact of activities at SIA, ABP, and Felts Field are outlined in an Economic Impact of Spokane International Airport study undertaken by Eastern Washington University's Institute for Public Policy & Economic Analysis. The study shows the total value added enabled by the Airport totaled over \$754 million. Also shown are direct impacts in terms of nearly 4,600 jobs at SIA, over 1,000 at the ABP, and nearly 300 at Felts Field. The related labor income representing wages, benefits, and proprietor income is over \$250 million annually.

Customer Service

Airport management and staff focus on providing excellent customer service. The Airport regularly utilizes on-site passenger surveys and "secret shoppers". These surveys and input from the secret shoppers indicate that on-going enhancements to the passenger experience are needed at the airport. The airport continues to add programs to improve the passenger experience. Fiscal year 2018 saw continued focus with the following customer service initiatives at SIA:

- Construction began on a Marriott branded Springhill Suites in mid-2018, with an opening planned for fall of 2019



- Construction of entrance and exit lanes to a convenience store, gas station, retail pad site so the Airport can actively market the site to attract a local or national operator;
- Design and construction of a new 1,404 space surface parking lot was completed with the lot opening the beginning of November, 2018 in time for the holiday traffic increases. Planning began in late 2018 another surface lot increasing the size of a current lot adjacent to the garages;
- Remodeling of TSA screening checkpoints which added additional screening capacity;
- Introduction of Queuing Line Assistants (QLA) positioned at the entrance of each of the TSA screening checkpoints to assist passengers preparing to go through checkpoints and to provide information and answer questions;
- Enhancement of concessions in the central Rotunda servicing Delta, Southwest and United Airlines by replacing the retail shop Simply NW with No Boundaries.and
- Signage improvements including a dynamic multi-media "JumboTron" sign spanning the entire width of Inbound Road which can be remotely programmed to provide valuable information to travelers entering the airport.

Community Involvement and Partnerships

SIA is a major economic engine and a critical transportation hub for the region. As such, it provides important opportunities for both businesses and employment. Strategic partnerships combined with sustained and consistent communication of the Airport's current and future plans, programs, and economic development potential is critical to our success.



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

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

Travelers passing through the Airport see promotion of local events such as Bloomsday, the Pacific Northwest Volleyball Qualifying Tournament, Hoopfest, and NCAA athletics. The Airport Board members, employees of the Airport and its tenants volunteer their time serving on civic boards and supporting charitable causes.

Financial Policies and Practices

Internal Control Environment

The Airport is responsible for establishing and maintaining internal controls. Internal controls are processes designed to provide reasonable assurance the Airport's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP and GASB. Internal controls, regardless of design, can provide only reasonable, but not absolute, assurance that these objectives are met. As a recipient of federal and state financial

assistance, the Airport is also responsible for ensuring that adequate internal controls are in place for documenting compliance with applicable laws and regulations related to these programs.

The achievement of the objectives defined by internal controls is affected by limitations inherent to the controls. Some of these limitations can include faulty human judgment in the decision-making process, common errors and mistakes, the circumventing of controls by collusion by two or more people, and management override of controls. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

We believe the Airport's internal controls more than adequately meet the objectives listed above and Airport staff spends considerable time reviewing and refining the control environment as all internal control processes are subject to periodic evaluation by management.

Budgetary Controls

In preparing the annual budgets a Rate Book is assembled and is presented to the Airport Airline Affairs Committee (AAAC) for review. The Rate Book is a document with multiple exhibits describing the operating and capital budgets for the Airport. The annual budget is prepared separately for each operating area of the Airport (SIA, ABP, and Felts Field) by cost centers. The Rate Book is then refined into the Airport's annual budget and is presented to and approved by the Airport Board, the City and the County prior to December 1 for the following year. The annual budget serves as a foundation for financial planning and control. Department heads monitor their expenses compared to budget for the current year and confer quarterly with the Director of Finance with analysis of significant variances from budgeted amounts. All unused budgeted expenses lapse at the end of each fiscal year.

The budget of SIA is currently based on a residual approach and forms the basis of the contractual relationship with signatory airlines and cargo carriers. A residual approach is only one basis of contractual relationships with air carriers and can change upon expiration of agreements.

Long-Term Capital Financing and Debt Management

One of the tools the Airport uses for long-term planning is the Master Plan. A Master Plan details long range plans of an airport on the basis of forecasts of aviation activity, potential environmental effects, community compatibility, and financial feasibility typically looking twenty years or more into the future. It was recently prepared in 2014 with the input of the board, staff, signatory airlines, other key tenants and stakeholders, community leaders, and the general public. The Master Plan consists of a technical report that specifies the logic and reasoning for the proposed capital improvements. Also included in the Master Plan is an updated Airport Layout Plan (ALP). The ALP is developed to meet FAA approved demand forecasts in airfield, landside, and terminal facilities along and includes numerous technical drawings. The ALP is typically reviewed and validated every two to seven years with minor changes approved through "pen and ink" revisions by the FAA after each major construction project. The FAA uses the ALP to assist in awarding funding for future projects through the AIP or PFC programs.

A Master Plan update for Felts Field was last completed in 2003 and work continues in 2018 on an update. A study of the Felts Field Terminal area was completed in 2010 in preparation of future development at the airfield.

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

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

Capital financing strategies are part of the Master Plan development process as projects become more defined.

Capital projects for fiscal year 2018 were financed through a combination of FAA grants, PFC funds, CFC funds, TSA's Other Transactional Agreements (OTA), and internal financing from unrestricted funds. Future capital planning will involve continued use of FAA and state grants, TSA OTAs, bonding opportunities, the use of long and short-term financing, and internal funds. Detailed information on long-term debt may be found in the financial section (Note 6) of this report.

Acknowledgements

The publication of this CAFR is a reflection of the level of excellence and professionalism of the Airport's Finance and Accounting Department.

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Spokane Airport Board for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the eighth year in a row the Airport achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

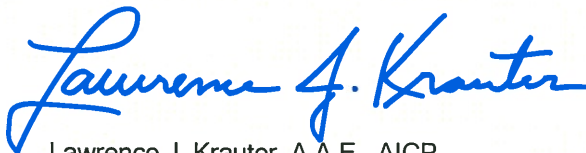
In 2017, the Washington State Auditor's Office awarded the Airport their Stewardship Award. The award represents an appreciation for the culture of accountability as well as encouraging a knowledgeable work force and strong internal control processes which seek to ensure compliance with accounting standards, federal grant requirements and state law.

We also wish to thank each Board Member for lending their expertise, time and talent in the provision of oversight and support of the staff's efforts to conduct financial operations of the Airport in a responsible and progressive manner that meets our multiple strategic mission objectives.

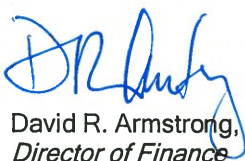
Requests for Information

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

Respectfully submitted,



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



David R. Armstrong, CPA, CM
Director of Finance



Government Finance Officers Association

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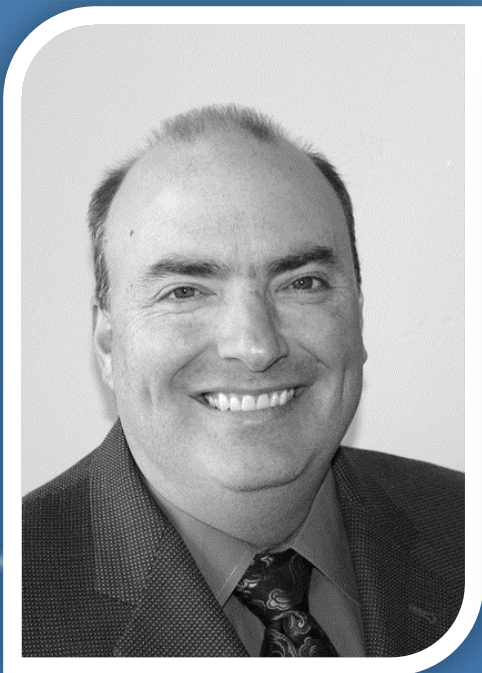


Jennifer West
Secretary

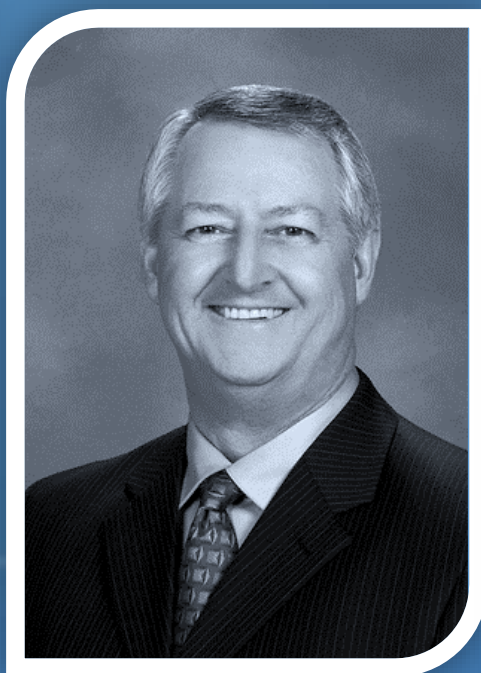


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SPOKANE AIRPORT BOARD



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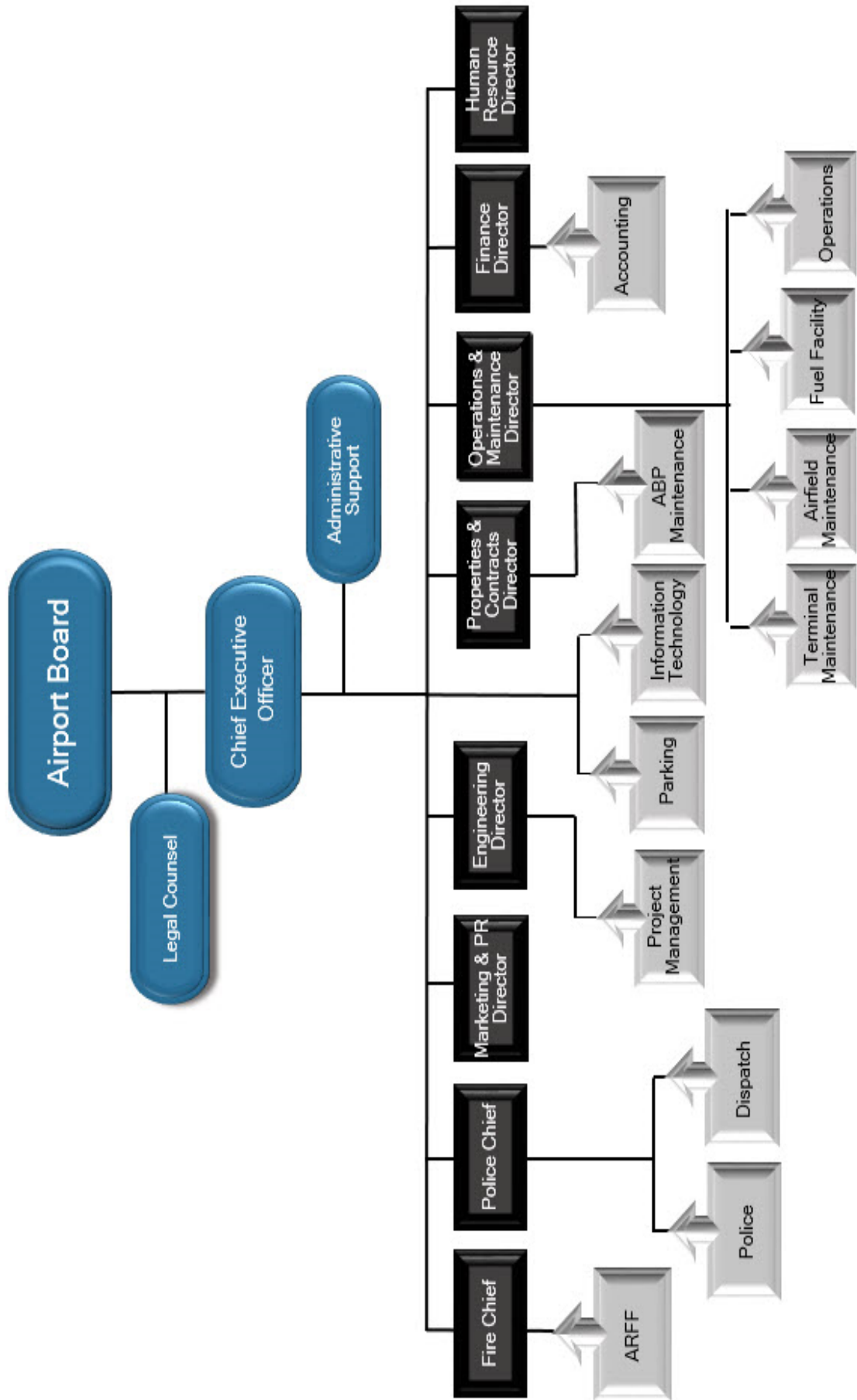
Al French



Ben Stuckart

SPOKANE AIRPORT BOARD

ORGANIZATIONAL CHART





Financial Section

Report of Independent Auditors

The Board of Directors
Spokane Airport Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Spokane Airport Board (Airport), a joint venture of the city of Spokane, Washington, and Spokane County, Washington, which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2018 and 2017, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Contributions, and Schedule of Changes in total OPEB Liability and Related Ratios be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Moss Adams LLP

Spokane, Washington
May 20, 2019

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 known as the Spokane Airport Board or the Airport. It serves as an introduction to, and provides understanding of, the basic financial statements for the year ended December 31, 2018, with selected comparative information from the years ended December 31, 2017 and December 31, 2016.

SIA, ABP, and Felts Field receive no tax revenues and do not have the authority to levy taxes. These facilities are jointly owned and operated by the City and County of Spokane (the City and County) through the *Airport Joint Operation Agreement*. Spokane International Airport serves as the region's commercial service airport and provides domestic scheduled passenger and cargo air service connectivity for the market area that stretches as far as Lewiston, ID to the south and British Columbia and Alberta, Canada to the north. The market area also reaches the foothills of the Cascades to the west and into western Montana to the east. The Airport Business Park is home to several regionally-significant facilities such as the Waste-to-Energy plant; Geiger Corrections Facility; Waste Management Recycling Center and U.S. Postal Service Regional Processing and Distribution Center as well as a number of tenants that include regional banks, small businesses, and other government agencies. Felts Field 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 tower.

The three operating areas are self-supporting with resources obtained from lease revenues, user fees, parking revenues, federal and state grants, other transactional agreements, Passenger and Customer Facility Charges (PFC and CFC). Expenses are controlled and monitored in accordance with budget requirements. The facilities have consistently met all financial obligations.

Airport Activities and Highlights

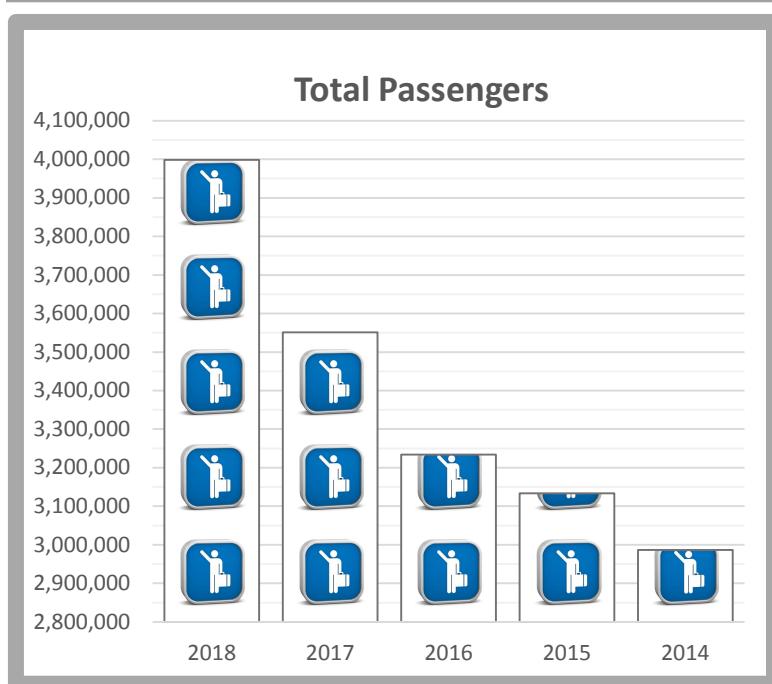
Passenger, Operations and Cargo Highlights:

According to the latest available data from the Federal Aviation Administration, SIA ranks as the 71st busiest US airport for passengers and 52nd 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% and 0.25% percent of the enplaned passengers by U.S. air carriers nationwide.

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

Summary of Operations	2018	2017	2016
Total Passengers	3,998,272	3,550,912	3,234,095
Cargo (pounds)	141,614,009	144,752,634	135,353,964
SIA - Operations	68,256	63,801	62,439
Felts Field - Operations	59,236	60,084	54,313

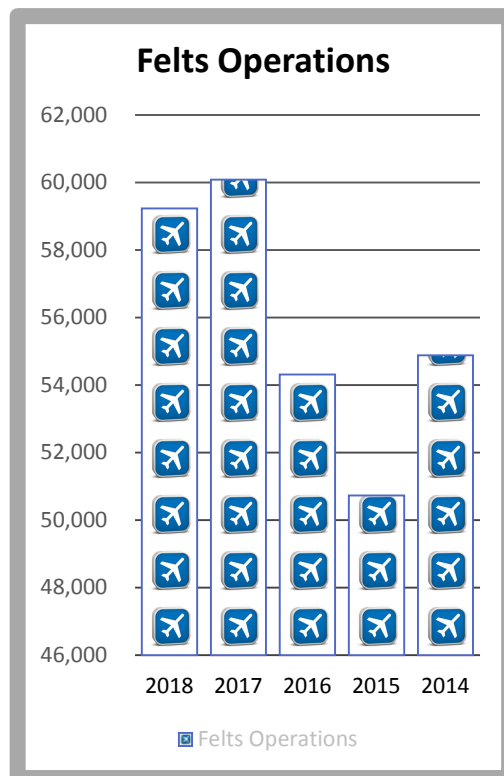
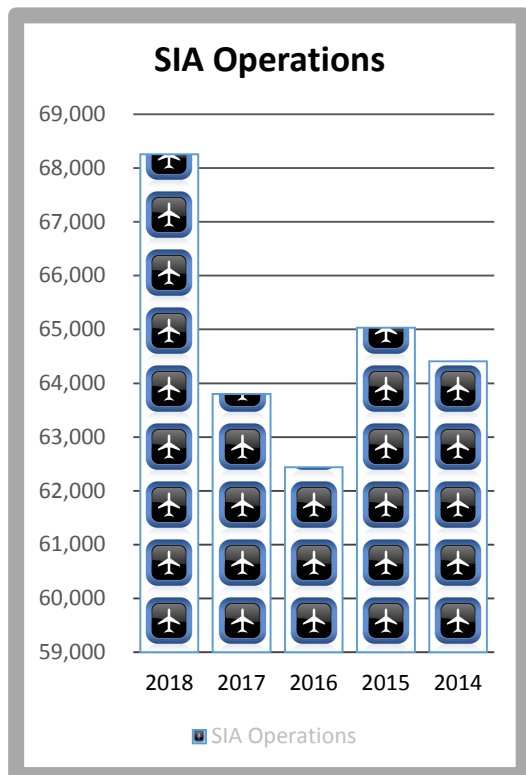
SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS



Total passenger traffic in Spokane in 2018 showed the fifth consecutive year of an increase over the prior year, and became the highest year of passenger traffic ever surpassing the previous high achieved in 2017. The high passenger level prior to 2017 occurred in 2007. The Inland Northwest has a tendency to be insulated from wild swings in passenger traffic, however 2018 saw an increase in total number of passengers of 12.6% following a 9.8% increase over 2016. Passenger levels in 2018 exceeded 2016 by 23.6%.

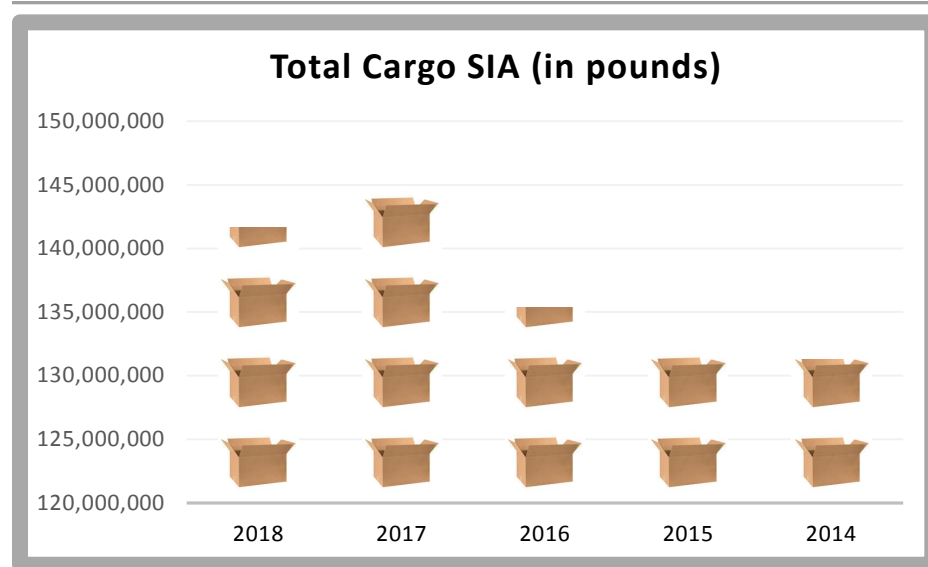
2018 saw an increase in operations (takeoffs and landings) at SIA over 2017 following an increase in 2017. In 2018, there was an addition of one new destination city contributing to the increase in operations. 2017 saw the

addition of five new destinations. Prior to 2017, airlines were adjusting their fleet mix and capacity landing



fewer, but larger capacity, aircrafts. The increase in available seats due to the changes in destinations and aircraft mix led to the increases in total passengers in 2018 and 2017. Felts Field posted a modest decrease in operations in 2018, following an increase in 2017 over 2016. Combining both airports, operations were up in 2018.

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS



Mail and cargo traffic showed a decrease in 2018 after the increase shown at SIA in 2017 over 2016. The small decrease in 2018 is due to reductions to cargo carried by passenger carriers along with a decrease in United Parcel Service (UPS). Federal Express (FedEx) showed an increase in 2018. The increase in 2017 is due to an increase by both freight carriers, UPS and FedEx, along with increases in cargo

carried by the passenger carriers.

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 Certified Public Accountants (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 whether the Airport's financial condition is improving or declining.

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 2018 to 2017 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	2018	2017 ¹	2016
Current Assets	\$ 34,845,581	\$ 37,820,736	\$ 35,261,154
Noncurrent Assets			
Other Noncurrent Assets	25,411,934	23,909,284	19,997,073
Capital Assets	280,870,985	260,826,383	263,714,060
Total Assets	341,128,500	322,556,403	318,972,287
Deferred Outflow of Resources	1,450,134	1,545,621	1,231,285
Current Liabilities	9,121,165	7,161,243	6,782,112
Noncurrent Liabilities			
Other Noncurrent Liabilities	9,119,757	10,765,825	12,437,263
Bonds and Other Long-Term Debt	4,587,318	5,042,888	8,865,617
Total Liabilities	22,828,240	22,969,956	28,084,992
Deferred Inflow of Resources	2,657,409	1,525,357	195,476
Net Position			
Net Investment in Capital Assets	274,257,397	253,826,984	251,466,243
Restricted	29,698,167	25,778,347	22,407,737
Unrestricted	13,137,421	20,001,380	18,049,124
Total Net Position	\$317,092,985	\$299,606,711	\$291,923,104
¹ This year has been restated to reflect the adoption of GASB 75			

Assets:

Current Assets decreased in 2018 after an increase in 2017. The decrease in 2018 is primarily related to a decrease in unrestricted cash related to construction projects that were funded out of cash reserves rather than borrowings, offset by an increase in all short term receivables. The increase in 2017 is primarily related to an increase in cash, both restricted and unrestricted, and short-term investments.

Other Noncurrent Assets increased in both 2018 and 2017. The increase in 2018 is primarily related to an increase in pension assets and restricted cash held for future projects, namely PFC and CFC funds held. The increase in 2017 was primarily due to increases the PFC and CFC cash held for future projects.

Capital Assets increased in 2018 after decreasing in 2017. The increase in 2018 is due to Airfield projects to rehabilitate taxiways, along with a new parking lot at SIA, progressing work at Felts Field for a new fueling facility and a new hangar. The decrease in 2017 is primarily a result of increasing depreciation charges due to the significant capital asset additions in the recent past years along with the disposal of certain assets with remaining book value. The increase in accumulated depreciation is somewhat offset by the increase in new capital asset additions and construction in process. Additional detailed information regarding capital asset activity may be found in Note 5 to the financial statements. Information regarding future commitments relating to capital projects can be found in Note 13 and 17.

Total Assets, combining the changes in the component assets, increased in both 2018 and 2017. The increase in 2018 is a result of the increase in noncurrent and capital assets offset by the decrease in current

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

assets. The change in 2017 is a result of the increases in current and noncurrent assets partially offset by decreases in the capital assets.

Deferred Outflows decreased in 2018 after an increase in 2017. The changes in each year relate entirely to variances from actuarial assumptions in the Washington State pension accounting and the implementation of GASB 75. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Liabilities:

Current liabilities increased in both 2018 and 2017. The change in 2018 is due to an increase in all payables due at year end, including general and construction amounts payable. The increase in 2017 is primarily attributable to prepayments of rents.

Other noncurrent liabilities decreased in 2018 and 2017. The changes are a result of adjustments to the Other Post-Employment Benefits of retired LEOFF Plan 1 fire fighters, the net pension liability related to the Washington State pension liabilities, and adjustments to the Environmental Liability.

Long term debt decreased in both 2018 and 2017. The decrease in 2018 is due to the scheduled repayment of debt service activity in the remaining long term debt instruments. The decrease in 2017 is due to the redemption of a 2005 series bond and the defeasance of a 2008 series bond. The total reduction in long term debt due to those two items in 2017 was \$5,540,000. Other reductions in long term debt is attributed to the normal repayment of debt service activity in the remaining long term debt instruments. Additional detailed information regarding long term debt activity may be found in Note 6 to the financial statements.

Total liabilities showed very little change in 2018 after a decrease in 2017. The small change in 2018 is due to increases in current liabilities related to current payables offset by decreases in long term liabilities. The 2017 decrease is due primarily to the reduction in long term debt coupled changes noted in current and other non-current liabilities.

Deferred Inflows increased in 2018 and 2017. The changes in both years relate primarily to variances from actuarial assumptions in the Washington State pension accounting and the implementation of GASB 75. 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 2018 by \$317.1 million, an increase over the \$299.6 million in 2017. 2017 showed an increase over the \$291.9 million in 2016.

The largest portion of the Airport's net position, \$274.3 million in 2018, \$253.8 million in 2017, and \$251.9 million in 2016 represents the net investment in capital assets (e.g. land, buildings, machinery, and equipment less related debt). The changes from year to year correspond to the increase in capital assets and decrease in debt for the same years. See the discussion above under the Assets and Liabilities section and Note 5 to the financial statements for additional information on capital asset activity.

An additional portion of the total net position, \$29.7 million in 2018, \$25.8 million in 2017, and \$22.4 million in 2016 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 \$3.9 million in 2018 over 2017 relates to the increases in the amount of PFC and CFC amounts held for future projects (i.e.: authorized collections are currently running ahead of project expenses). The \$2.6 million increase in 2017 over 2016 is due to a combination of increases of PFC and CFC amounts held and the decrease in amounts related to debt service. The amount of restricted net assets does not affect the availability of other resources for future use.

The portion of total net position unrestricted decreased in 2018 after an increase in 2017. The change in 2018 is due primarily to the decrease in unrestricted cash that was used to fund projects. The increase in 2017 is related to an increase in unrestricted cash and short-term investments that are designated to capital projects that were deferred in 2017 to 2018. These unrestricted net assets may be used for any lawful purpose of the Airport.

The table below summarizes the effect of revenues and expenses on Net Position for the three years ended, December 31, 2018, 2017, and 2016.

**SPOKANE AIRPORT BOARD
MANAGEMENT DISCUSSION AND ANALYSIS**

Summary of Revenues & Expenses	2018	2017 ¹	2016
Operating Revenue	\$ 40,202,868	\$ 36,248,352	\$ 33,095,987
Operating Expense	26,454,831	27,270,616	24,468,440
Operating income before depreciation	13,748,037	8,977,736	8,627,547
Depreciation expense	23,672,355	22,843,205	22,266,977
Operating income (loss)	(9,924,318)	(13,865,469)	(13,639,430)
Nonoperating Income (Expense)	12,543,658	10,485,544	9,644,980
Increase in Net Position before Capital	2,619,340	(3,379,925)	(3,994,450)
Capital Contributions and Grants	14,866,934	10,262,938	5,658,429
Increase in Net Position	17,486,274	6,883,013	1,663,979
Net Position, beginning of year, as previously stated	-	291,923,104	-
Cumulative effect of adoption of GASB 75	-	800,594	-
Net Position, beginning of year	299,606,711	292,723,698	290,259,125
Net Position, end of year	\$ 317,092,985	\$ 299,606,711	\$ 291,923,104

Total operating revenues in 2018 and 2017 increased. The primary drivers of the increases in both years were airfield revenues (driven by increased operations and fuel revenue), parking operations, and terminal revenues. The increases in parking and terminal revenues relate directly to the increases in total passengers in 2018 and 2017.

Total operating expenses prior to depreciation in 2018 decreased compared to a 2017 increase in operating expenses. The 2018 decrease is due primarily to reduction in Airfield expenses with the largest component being the decrease in de-icing of surface taxiways and snow removal. The 2017 increase corresponds directly to the increase in total passengers at SIA. Specific increases were expenses in Airfield and Landside de-icing and snow removal areas, along with the marketing of the five new direct routes added in 2017.

Depreciation charges of \$23.7 million were recorded in 2018 and \$22.8 million was recorded in 2017, both increases over prior years. These increases relate to the amount of infrastructure and equipment additions in 2018, 2017, and years prior that have remaining useful lives and value.

Non-operating income and expense show a net positive increase in both 2018 and 2017. The primary causes of the net increases were a decrease in interest expense along with increases in most non-operating revenues notably interest income and the collection of CFCs and PFCs. Capital contributions and grant revenue increased 2018 and 2017. These fluctuations in revenue is representative of the nature and timing of federal grant funding as the amount of discretionary grant revenue can vary greatly from year to year depending on the projects being planned, funded and constructed.

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Revenues:

Below is a summary of revenue for the three fiscal years ended December 31, 2018, 2017, and 2016:

Summary of Revenues	2018	2017 ¹	2016
Operating Revenues:			
Airfield	\$ 6,812,050	\$ 5,970,732	\$ 5,352,771
Passenger terminal	14,875,342	13,484,639	12,163,996
Leased buildings	2,806,514	2,713,526	2,937,847
Leased areas	2,269,752	2,128,812	2,036,034
Parking and ground transportation	13,257,078	11,777,170	10,239,333
Other	182,132	173,473	366,006
Total Operating Revenue	40,202,868	36,248,352	33,095,987
Nonoperating Income:			
Interest income	1,051,727	820,159	739,299
Gain on disposal of assets	73,138	-	-
Gain on investments	220,026	-	-
Transaction fee	3,577,916	3,330,079	3,191,471
Passenger facility charges	7,635,677	6,866,466	6,223,821
Other grant revenue	345,541	445,953	303,208
Total Nonoperating Income	12,904,025	11,462,657	10,457,799
Total	\$53,106,893	\$47,711,009	\$43,553,786
¹ This year has been restated to reflect the adoption of GASB 75			

Airfield revenue increased in 2018 and 2017 over prior years due to increases in landed weights at SIA along with an increase in the landing fee rate, the combination of which increased landing revenue. Also included is an increase in fuel flowage revenue in both years.

Passenger terminal revenue showed increases in both 2018 and 2017 over the prior year. Both years' increase is primarily a result of the increase in passenger traffic affecting concession revenues such as rental cars, food, beverage, and retail sales. Also, there were terminal rent rate increases in each year contributing to the increases in revenue.

Leased building revenue increased in 2018 after a decrease in 2017. The 2018 increase corresponds to a rate increase in the air cargo building and to increases in space leased by commercial agencies in the ABP. The decrease in 2017 is primarily related to the effect of prior year's insurance claim reimbursements included in 2016 revenue.

Leased area revenue, land leases, activity increased in both 2018 and 2017. The increase in 2018 is primarily due to an increase in the rental car service area rate along with an increase related to the US Postal Service lease. The increase in 2017 is related to increases in on-Airport hotel activity and a rate increase in the Rental Car Service area.

Parking revenue, which includes Ground Transportation fees, increased in both 2018 and 2017 and is directly related to the increase in passenger traffic along with a rate increase in the fee charged to

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

commercial vehicles accessing the Airport property to pick-up and drop-off passengers. A 1,404 space surface parking lot opened in November of 2018 expanding the number of spaces available.

Non-operating revenue increased in both 2018 and 2017. The primary drivers in both years were increases in CFC and PFC revenue. CFC and PFC revenue is directly related to increased passenger activity. The CFC and PFC are restricted to specific uses and are not used to fund operations. Also in 2018, the Fair Market Value adjustment of investments created a gain, whereas in 2017 the adjustment created a loss.

Also included in non-operating income is interest revenue and other grant revenue. Interest income increased in 2018 due to an increase in the earning rate offset somewhat by the decreased balance in unrestricted cash. Interest income increased in 2017 due to increased restricted and unrestricted cash balances. Other grant revenue decreased in 2018 due to a reduction in the Law Enforcement Officer reimbursement agreement with TSA and a reduction in a non-capital grant related to development of the Felts Field Master Plan. 2017 showed an increase due to the Felts Field grant along with a separate state grant for other work at Felts Field.

Expenses:

Below is a summary of expenses for the three fiscal years ended December 31, 2018, 2017, and 2016:

Summary of Expenses	2018	2017 ¹	2016
Operating Expenses:			
Airfield	\$ 9,672,674	\$11,004,706	\$ 9,986,991
Passenger terminal	5,291,815	5,017,850	5,026,242
Leased buildings	1,200,117	1,517,032	1,116,535
Parking and ground transportation	4,629,703	4,384,068	3,634,293
Administration and operations	5,660,522	5,346,960	4,704,379
Total Operating Expense	26,454,831	27,270,616	24,468,440
Depreciation expense	23,672,355	22,843,205	22,266,977
Nonoperating Expense			
Interest expense	14,826	182,682	300,324
Loss on disposition of assets	-	168,032	28,769
Loss on investments	-	178,761	180,518
Loss on redemption of bonds	-	1,685	-
Other grant expense	345,541	445,953	303,208
Total Nonoperating Expense	360,367	977,113	812,819
Total	<u>\$50,487,553</u>	<u>\$51,090,934</u>	<u>\$47,548,236</u>
¹ This year has been restated to reflect the adoption of GASB 75			

Airfield expenses decreased in 2018 over 2017 primarily related to a reduction in the cost of de-icing runways and taxiways and snow removal from airfield areas corresponding with milder weather conditions in the split snow season of 2018. The Airport installed a pavement weather sensor system, paid for with PFCs, that assists operations staff in determining when and where to apply de-icing material on runways and taxiways. The 2017 increase was due to increases in staffing and benefits, airfield de-icing and snow removal efforts, equipment repairs, adjustments to the environmental liability and somewhat offset by the

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

decreased effect of Airfield Rescue and Fire Fighter (ARFF) post-employment medical and pension benefits (OPEB).

Passenger terminal expenses increased in 2018 due to the increased expenses resulting from increased passenger traffic. Increased passenger traffic increases repairs and maintenance activity, such as carpet replacements, passenger access doorways, passenger boarding bridge and baggage handling equipment maintenance, along with increased demands on janitorial services and supplies. 2017 was basically the same when compared to 2016.

Leased buildings expenses decreased in 2018 due to a decrease in maintenance projects in areas after the increase in 2017 due to the cost of demolition of a building at Felts Field.

Parking expenses, which includes Ground Transportation, increased in both 2018 and 2017. The increase in 2018 is primarily related to passenger volume levels which increases maintenance items. Also contributing to the increase is staffing levels related to the opening of the new surface parking lot. The increase in 2017 corresponds to three primary items: the addition of curb-side security related to taxis, shuttles and other commercial vehicles, maintenance projects related to parking surfaces and equipment directly due to the two years of increased passenger traffic, and continuing emphasis on snow removal and de-icing of roads and parking lots.

Administration and operations expenses increased in 2018 from the prior year due to increases in staffing levels and related benefits costs along with continued marketing efforts for new destinations and flights. The increase in 2017 was due to increased marketing efforts for new destinations and flights added by air carriers, along with increased legal fees to assist in efforts related to retaining contract towers and contract weather observers.

Non-operating interest expense decreased in 2018 and 2017 and is directly related to the reduction in the outstanding balances of long-term debt related to the defeasance and redemption of two separate bond issues late in 2016.

Other grant expense decrease in 2018 due to a reduction in expenses related to the Law Enforcement Officer reimbursement agreement with TSA and non-capital grant expenses. The 2017 increase matches the increase in revenues related to the Felts Field Master Plan and Law Enforcement expenses.

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

Other financial considerations

As noted, the Airport redeemed a 2005 bond and defeased a 2008 bond reducing outstanding debt in 2017 and therefore was not required to have a rating agency review. The last rating review was performed in 2016 and produced the following ratings: A+ Standard & Poor's, A+ Fitch, and A-2 Moody's. SIA has a total debt burden in 2018 of \$2.52 per enplaned passenger compared to \$3.08 in 2017. These figures are lower than many similar sized airports. The actions taken in 2017 in terms of long term debt favorably positions the Airport to approach the bond markets as future Terminal Renovation and Expansion (TREX) projects become clearer.

The basic financial structure of the Airport facilities has been very consistent over the past 30 years, with the residual based Airline Operating Agreement (AOA) that has been in effect since 1984, and modified periodically. The AOA and leases were extended through negotiations with air carriers with minor changes until December 31, 2019. The Airport and the air carriers are in discussions to modernize the master airline operating agreement past 2019.

The increase in total net position, the sufficient liquidity, the declining balances of long term debt and associated low interest rates, the strong debt service coverage and low debt burden per passenger affirm the continuing excellent financial condition of the Airport. As noted earlier, 2018 was the fifth year in a row of increased passenger traffic and the total passenger count of 2018 is the highest ever at SIA. The published schedules into 2019 by the air carriers serving Spokane show continued growth in 2019, albeit at a lower percentage rate. The Airport operates with sound financial decision making, a relatively low cost structure, and a disciplined approach to financing capital needs.

SPOKANE AIRPORT BOARD MANAGEMENT DISCUSSION AND ANALYSIS

Impacts on the Future

The Airport finances construction projects at facilities through a combination of revenue bonds, entitlement and discretionary grants received from the FAA, state grants, CFCs, PFCs along with funds from general airport operations. In October 2018, Congress passed and President Trump signed an extension to the FAA's authority and provided funding levels through September 2023. Although the Administration and Congress continue to discuss rebuilding the nation's infrastructure, including airports, there has been no solid agreement on how to accomplish that goal. Various hearings conducted recently in Congress have been centered around financing of infrastructure. The reauthorization bill also contains a directive to the Secretary of Transportation to conduct a study "assessing the infrastructure needs of airports and existing financial resources for commercial service airports and make recommendations on the actions needed to upgrade the national aviation infrastructure system to meet the growing and shifting demands of the 21st century." Accordingly, it is a top priority of the Airport to advocate for infrastructure legislation that includes a long overdue increase to the PFC and increased AIP funding.

Federal issues affecting the Airport include the aforementioned protection of AIP funding levels, increasing the funding levels and flexibility of the PFC program, FAA rulemaking processes, funding of the Contract Tower Program and Contract Weather Observers as well as continuing to develop regulations to monitor the increasing numbers of UAVs (drones.)

State and local issues affecting the Airport include REAL ID, minimum wage and sick leave initiatives, Leasehold and Excise taxes, and the general budgetary environment of the state as it affects retaining and attracting business to the state and, specifically, the Airport. The REAL ID Act of 2005 is federal law that requires state driver's licenses and ID cards to have security enhancements. In October 2018, the US Department of Homeland Security deemed Washington's enhanced driver's licenses and identification cards are valid under the law. Standard licenses and identification do not comply with the law. The lack of a complying license or identification means passengers traveling domestically will have to produce another piece of identification that complies with the Act, such as a Passport.

State and local authorities have passed minimum wage and sick leave initiatives that will have a continuing effect on the Airport's expenses. The Airport has implemented those passed initiatives and continues to monitor new issues, such as proposed tax legislation, to develop strategies to comply with any current and future requirements and attempt to minimize the effect on its rate making methodologies and financial well-being.

At the end of 2018, there are two PFC applications with thirteen separate projects under collection authority at the \$4.50 level. Application number 11 was approved by the FAA in November 2017 and includes projects to rehabilitate areas of the terminal building. Application number 10 was approved in 2015 and amended in 2017 with the remaining projects focusing primarily on security and capacity enhancements.

Major projects identified in the Airport Layout Plan (ALP) and the Capital Improvement Program (CIP) are included in the on-going discussions regarding grant and PFC funded projects as well as how they affect the Airport's Airline Use Agreement. The impacts to cash flow of the Airport along with the air carriers will be analyzed carefully through 2019 and 2020 as projects are brought forward.

Concentration on development of new business opportunities by improving infrastructure and marketing efforts continue to be the focus on designated non-aeronautical property at SIA as well as at the Airport Business Park.

Felts Field has undergone a major transformation in recent years. In 2018, the aged fueling facility was replaced with a modern above ground system adding to the taxiways, taxi-lanes and ramp areas improvements in recent years. Construction also began in 2018 on a new hangar facility to house the Historic Flight Foundation which is based at Paine Field in Everett, WA.

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

**SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION**

ASSETS

	December 31,	
	2018	2017 ¹
CURRENT ASSETS		
Unrestricted Current Assets		
Cash	\$ 110,582	\$ 111,172
Unrestricted cash and short-term investments	24,455,319	31,346,230
Accounts receivable, less allowance for doubtful accounts of 2018 \$16,618; 2017 \$17,138	3,432,485	3,100,331
Prepaid expenses and other assets	743,426	525,520
Inventory	265,602	230,120
Total Unrestricted Current Assets	29,007,414	35,313,373
Restricted Current Assets		
Current portion, restricted cash and short-term investments	1,889,014	838,892
Receivable from government agencies	3,949,153	1,668,471
Total Restricted Current Assets	5,838,167	2,507,363
Total Current Assets	34,845,581	37,820,736
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Land	21,179,368	20,843,688
Construction in process	10,575,108	10,907,133
Depreciable capital assets, net of accumulated depreciation	249,116,509	229,075,562
Total Unrestricted Noncurrent Assets	280,870,985	260,826,383
Restricted Noncurrent Assets		
Restricted cash and investments, less current portion	23,375,635	22,383,574
Net Pension Asset	2,036,299	1,525,710
Total Restricted Noncurrent Assets	25,411,934	23,909,284
Total Noncurrent Assets	306,282,919	284,735,667
TOTAL ASSETS	341,128,500	322,556,403
DEFERRED OUTFLOW OF RESOURCES	1,450,134	1,545,621

¹ This year has been restated to reflect the adoption of GASB 75

**SPOKANE AIRPORT BOARD
STATEMENT OF NET POSITION**

LIABILITIES

	December 31,	
	2018	2017 ¹
CURRENT LIABILITIES		
Liabilities Payable from Unrestricted Assets		
Construction warrants payable	\$ 482,218	\$ 1,326,946
Vouchers payable and other accrued expenses	6,245,056	4,293,707
Accrued payroll	735,699	802,241
Compensated absences - current portion	106,258	100,049
Total Unrestricted Current Liabilities	7,569,231	6,522,943
Liabilities Payable from Restricted Assets		
Construction warrants payable	1,088,482	174,465
Accrued interest payable	7,882	8,735
Long-term debt due within one year	455,570	455,100
Total Restricted Current Liabilities	1,551,934	638,300
Total Current Liabilities	9,121,165	7,161,243
NONCURRENT LIABILITIES		
Deposits	285,583	285,758
Compensated absences	1,170,906	1,016,594
Accrued environmental liabilities	2,400,716	2,436,115
Accrued postretirement and termination benefits	2,477,666	3,098,684
Net Pension liabilities	2,784,886	3,928,674
Long-term debt, due in more than one year	4,587,318	5,042,888
Total Noncurrent Liabilities	13,707,075	15,808,713
TOTAL LIABILITIES	22,828,240	22,969,956
DEFERRED INFLOW OF RESOURCES	2,657,409	1,525,357
NET POSITION		
Net Investment in capital assets	274,257,397	253,826,984
Restricted for:		
Debt service	24,848	17,347
Passenger Facility Charge	12,066,014	13,741,041
Customer Facility Charge	10,854,051	8,167,533
Cash restricted for retainages and deposits	767,802	658,245
Receivable from Government Agencies	3,949,153	1,668,471
Net Pension Asset	2,036,299	1,525,710
Total Restricted Net Assets	29,698,167	25,778,347
Unrestricted	13,137,421	20,001,380
TOTAL NET POSITION	\$ 317,092,985	\$ 299,606,711

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

	Year Ended December 31,	
	2018	2017 ¹
Operating revenues:		
Airfield	\$ 6,812,050	\$ 5,970,732
Passenger terminal	14,875,342	13,484,639
Leased buildings	2,806,514	2,713,526
Leased areas	2,269,752	2,128,812
Parking and ground transportation	13,257,078	11,777,170
Other	182,132	173,473
Total Operating Revenue	<u>40,202,868</u>	<u>36,248,352</u>
Operating expenses:		
Airfield:		
General	5,940,131	7,165,857
Fire department	1,892,626	1,919,687
Police department	1,839,917	1,919,162
Passenger terminal	5,291,815	5,017,850
Leased buildings	1,200,117	1,517,032
Parking and ground transportation	4,629,703	4,384,068
Administration and operations	5,660,522	5,346,960
Total Operating Expense	<u>26,454,831</u>	<u>27,270,616</u>
Operating income before depreciation	13,748,037	8,977,736
Depreciation	<u>23,672,355</u>	<u>22,843,205</u>
Operating income (loss)	<u>(9,924,318)</u>	<u>(13,865,469)</u>

¹ This year has been restated to reflect the adoption of GASB 75

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

	Year Ended December 31,	
	2018	2017
Nonoperating revenues (expenses):		
Interest income	\$ 1,051,727	\$ 820,159
Interest expense, including amortization of bond premiums	(14,826)	(182,682)
Gain (loss) on disposition of assets	73,138	(168,032)
Gain (loss) on investments	220,026	(178,761)
Gain (loss) on redemption of bonds	-	(1,685)
Grant revenue	345,541	445,953
Grant expense	(345,541)	(445,953)
Transaction Fees	3,577,916	3,330,079
Passenger facility charges	7,635,677	6,866,466
Total Nonoperating revenue (expenses)	12,543,658	10,485,544
Increase in net assets before capital grants and related items	2,619,340	(3,379,925)
Capital contributions		
Federal AIP and other grants	14,866,934	10,262,938
	14,866,934	10,262,938
Increase in Net Position	17,486,274	6,883,013
Net Position, beginning of year	299,606,711	291,923,104
Cumulative effect of adoption of GASB 75	-	800,594
Net Position, beginning of year - restated	299,606,711	292,723,698
Net Position, end of year	\$ 317,092,985	\$ 299,606,711

SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2018	2017 ¹
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from airfield operations	\$ 6,439,954	\$ 5,140,757
Cash received from passenger terminal	14,875,342	13,484,639
Cash received from building leases	2,806,514	2,713,526
Cash received from area leases	2,269,752	2,128,812
Cash received from parking	13,257,078	11,777,170
Other operating cash received	182,132	173,473
Cash paid for airfield operations	(5,557,992)	(7,112,882)
Cash paid to airfield employees	(5,204,462)	(4,846,062)
Cash paid for passenger terminal	(4,441,540)	(4,252,495)
Cash paid to passenger terminal employees	(901,477)	(820,367)
Cash paid for leased building operations	(1,200,117)	(1,517,032)
Cash paid for parking operations	(3,451,873)	(3,362,704)
Cash paid to parking operations employees	(1,234,649)	(1,099,140)
Cash paid for administration and operations	(2,063,936)	(1,843,001)
Cash paid to administration and operations employees	(1,690,100)	(1,897,888)
Net cash provided by operating activities	<u>14,084,626</u>	<u>8,666,806</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	345,541	445,953
Operating grant expenses	<u>(345,541)</u>	<u>(445,953)</u>
Net cash provided by noncapital financing activities	<u>0</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state grant proceeds	12,586,252	10,574,329
Acquisition and construction of capital assets	(43,657,575)	(19,396,034)
Principal payments on debt	(455,100)	(6,048,049)
Proceeds from sale of capital assets	83,045	72,105
Interest paid on debt	(15,679)	(235,848)
Loss on debt redemption	-	(1,685)
Transaction fees collected	3,577,916	3,330,079
Passenger facility charges collected	<u>7,711,730</u>	<u>6,951,369</u>
Net cash provided (used) by capital and related financing activities	<u>(20,169,411)</u>	<u>(4,753,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	<u>1,235,467</u>	<u>627,259</u>
Net cash provided by investing activities	<u>1,235,467</u>	<u>627,259</u>
NET CHANGE IN CASH	<u>(4,849,318)</u>	<u>4,540,331</u>
Cash, beginning of year	<u>54,679,868</u>	<u>50,139,537</u>
Cash, end of year	<u><u>\$ 49,830,550</u></u>	<u><u>\$ 54,679,868</u></u>

¹ This year has been restated to reflect the adoption of GASB 75

**SPOKANE AIRPORT BOARD
STATEMENT OF CASH FLOWS**

	Year Ended December 31,	
	2018	2017 ¹
OPERATING INCOME (LOSS)	\$ (9,924,318)	\$ (13,865,469)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	23,672,355	22,843,205
Changes in assets and liabilities:		
Accounts receivable	(371,921)	(1,637,999)
Prepaid expenses and other assets	(217,906)	9,812
Inventory	(35,482)	58,360
Vouchers payable and other accrued expenses	1,951,349	1,967,078
Accrued payroll	(66,542)	(38,819)
Accrued vacation and sick pay	160,521	(343,323)
Increase (decrease) in net pension liability and related deferred outflows and inflows of resources	(426,838)	260,119
Other	(656,592)	(586,158)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,084,626</u>	<u>\$ 8,666,806</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
NONCASH CAPITAL ACTIVITIES		
Acquisition of construction and capital assets, recorded but not paid at year end	1,570,700	1,501,411
TOTAL NONCASH ITEMS	<u>\$ 1,570,700</u>	<u>\$ 1,501,411</u>
RECONCILIATION OF CASH		
Cash	\$ 110,582	\$ 111,172
Unrestricted short-term cash investments	24,455,319	31,346,230
Restricted cash and short-term investments, current and noncurrent	25,264,649	23,222,466
CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS	<u>\$ 49,830,550</u>	<u>\$ 54,679,868</u>



Notes to Financial Statement

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 predominate air travel needs of eastern Washington and northern Idaho. There are no other entities for which the Airport is financially accountable. The Airport is a municipal airport operating under RCW 14.08 and is jointly owned and operated by the City of Spokane and the Spokane County under a joint operating agreement dated August 28, 1990.

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

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

Measurement focus and basis of accounting:

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

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

Reclassifications:

Certain reclassifications have been made to the 2017 statement in order to conform to the 2018 presentation.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

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.

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.

New Accounting Standard:

The Airport adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The Statement provides accounting and financial reporting guidance for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions and related disclosures. The accounting changes required by GASB No. 75 are applied retroactively by reclassifying the statement of net position, net position information, and results of operations. The requirements of GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017, and were adopted by the Airport effective January 1, 2018, with retrospective application to the years shown in the MD & A and the Basic Financial Statements to January 1, 2017.

Restatement of Net Position:

In fiscal year 2018, the Airport implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result of the implementation, the beginning net position of January 1, 2017 was restated, resulting in an increase of \$800,594. The Statement requires to Airport to measure its postemployment benefit liability using a different methodology.

The following schedule summarizes the effect of the implementation of GASB No. 75 on the Statement of Net Position.

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

Summary of Changes in Net Position	As Previously Reported January 1, 2017	Cumulative Effect of Change	Restated January 1, 2017
Current Assets	\$ 35,261,154	-	\$ 35,261,154
Noncurrent Assets			
Other Noncurrent Assets	19,997,073	-	19,997,073
Capital Assets	263,714,060	-	263,714,060
Total Assets	318,972,287	-	318,972,287
Deferred Outflow of Resources - OPEB	-	572,297	572,297
Deferred Outflow of Resources - Pensions	1,231,285	-	1,231,285
Current Liabilities	6,782,112	-	6,782,112
Noncurrent Liabilities			
OPEB Liabilities	3,718,522	(490,724)	3,227,798
Net Pension Liabilities	4,740,904	-	4,740,904
Other Noncurrent Liabilities	3,977,837	-	3,977,837
Bonds and Other Long-Term Debt	8,865,617	-	8,865,617
Total Liabilities	28,084,992		27,594,268
Deferred Inflow of Resources - OPEB	-	262,427	262,427
Deferred Inflow of Resources - Pensions	195,476	-	195,476
Net Position			
Net Investment in Capital Assets,	251,466,243	-	251,466,243
Restricted	22,407,737	-	22,407,737
Unrestricted	18,049,124	800,594	18,849,718
Total Net Position	\$ 291,923,104	\$ 800,594	\$ 292,723,698

Summary of Revenues & Expenses	As Previously Reported January 1, 2017	Cumulative Effect of Change	Restated January 1, 2017
Operating Revenue	\$ 33,095,987		\$ 33,095,987
Operating Expense	24,468,440	(800,594)	23,667,846
Operating income before depreciation	8,627,547	800,594	9,428,141
Depreciation expense	22,266,977	-	22,266,977
Operating income (loss)	(13,639,430)	800,594	(12,838,836)
Nonoperating Income (Expense)	9,644,980	-	9,644,980
Increase in Net Position before Capital Contributions and Grants	(3,994,450)		(3,994,450)
Capital Contributions and Grants	5,658,429	-	5,658,429
Increase in Net Position	1,663,979		1,663,979
Net Position, beginning of year, as previously stated	291,923,104	-	291,923,104
Cumulative effect of adoption of GASB 75	-	800,594	800,594
Net Position, beginning of year - Restated	291,923,104	800,594	292,723,698

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

Airline rates and charges:

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

Concentration of operating revenue:

The operation of the Airport is dependent upon the utilization of their facilities by air carriers and major airlines. Airlines have signed operating agreements (Note 10) with the Airport for terminal rentals and landing fees and for the maintenance of net revenues in accordance with bond covenants (see Note 6). Revenues from airlines amounted to approximately 33% and 36% of operating revenue for the years ended December 31, 2018 and 2017, respectively. Rental car revenue approximated 26% and 28% of operating revenue for the years ended December 31, 2018 and 2017, respectively. Parking garage revenues for the years ended December 31, 2018 and 2017, approximated 33% and 36% of total operating revenue, respectively.

Budgeting requirements:

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

Income taxes:

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

Passenger facility charges:

The Airport has received approval from the Federal Aviation Administration (FAA) to impose a passenger facility charge (PFC) for each passenger who utilizes SIA of up to \$4.50 from February 1, 2018, through November 1, 2020. 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 \$152,400,263 has been approved for collection and \$152,400,263 has been approved for use, of which \$146,919,262 has been received through December 31, 2018. At December 31, 2018, Spokane International Airport had total cumulative expenditures of \$132,738,886. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

Transaction fees:

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

Beginning in October 2012 an additional \$.75 per day transaction fee was added to fund capital improvements needed. Transaction fee revenues received from the rental car companies are recorded as non-operating income in the statement of revenues, expenses, and changes in Net 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.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

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 market value. Information regarding the types of investments that the County can purchase are found in RCW 36.29.020. Investments are recorded at net assets value in accordance with GASB Statement No. 72, *Fair Value Measurement, and Application*. Accordingly, the change in net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts receivable and allowance for doubtful accounts:

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

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. Effective September 1, 2018 the \$5,000 limit was raised to \$7,500. 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 market value of their interest is either returned or invested into another approved project or asset.

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

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

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

Land improvements	5-15 years
Buildings	15-40 years
Building Improvements and additions	5 years - or remaining life

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

Roads and Parking Lots	5-20 years
Aprons, Taxi and Runways Asphalt	5-15 years
Aprons, Taxi and Runways - Concrete	10-20 years
Equipment	2-10 years
Utilities	15-40 years
Vehicles and Equipment	2-10 years

Debt discount, premium, and issuance costs:

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

Pensions:

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

Compensated absences:

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

Non-Union employees

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

Maintenance employees

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

Firefighters

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

Part Time Employees

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

Net Position:

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

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.

Recently Adopted Accounting Standards:

GASB Statement No. 88 (GASB 88) - *Certain Debt Extinguishment Issues was issued May 2017*. This Statement establishes the requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. For governments using the economic resources measurement focus in financial statement reporting those governments should recognize any differences between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The requirements of the Statement are effective for financial statements beginning after June 15, 2017. The Airport has implemented GASB Standard No. 87 as of January 1, 2017.

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

In 2010, the PDPC adopted Resolution 2010-1 requiring all public 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.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

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

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

Investments in the Pool principally consist of investments in the Washington State Local Government Investment Pool, US government agency securities, commercial bank certificates of deposit, and Spokane County Bonds. The Airport, as a joint venture of the City of Spokane and Spokane County, is limited by City and County state 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 or see RCW 36.29-020.

Investments:

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

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

The use of amortized cost valuation mean that the Pool's stable \$1.00 price value may vary from its market value N.A.V. 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 N.A.V. 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, 2018 and 2017, the Airport had the following cash and investments. Cash and investments are classified on the statement of net position as follows:

	2018	2017
Cash	\$ 110,582	\$ 111,172
Unrestricted short-term investments	24,455,319	31,346,230
Restricted short-term investments, current portion	1,889,014	838,892
Restricted short-term investments, noncurrent	23,375,635	22,383,574
TOTAL	\$ 49,830,550	\$ 54,679,868

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

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

As of December 31, 2018 and 2017, the Spokane Airport has the following cash and investments:

	2018	2017
Petty Cash	\$ 4,650	\$ 6,650
Cash in bank	105,932	104,522
Funds invested in the Spokane County Investment Pool	49,719,968	54,568,696
TOTAL	\$ 49,830,550	\$ 54,679,868

Credit risk:

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

Interest rate risk:

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

The Airport has no formal policy addressing interest rate risk. The majority of the Airport's funds are invested in the Spokane County Investment Pool. The average length of maturity of the investments of the Pool was 475 and 402 days at December 31, 2018 and 2017, respectively.

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

Custodial risk:

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

Concentration risk:

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

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

	2018	2017
Fannie Mae	8%	18%
Freddie Mac	12%	9%
LGIP (State)	10%	18%
FHLB	25%	22%
United State Treasury Notes	33%	28%
FFCB	10%	-

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, 2018 and 2017:

	2018	2017
Washington State Local Government Investment Pool	10%	18%
Federal agency securities	88%	79%
Miscellaneous investments	2%	3%
	<u>100%</u>	<u>100%</u>

Cash balances:

The carrying value of the Airport's deposits with financial institutions as of December 31, 2018 and 2017, were \$105,932 and \$104,522 and the bank balances were \$108,847 and \$107,231 respectfully. The bank balance is categorized as follows:

	2018	2017
Amount insured by FDIC	<u>\$ 108,847</u>	<u>\$ 107,231</u>
Total Bank Balance	<u>\$ 108,847</u>	<u>\$ 107,231</u>

Restricted cash and short-term investments:

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

	2018	2017
Funds restricted for the retirement of the CERB Loans	<u>\$ 488,300</u>	<u>\$ 481,182</u>
Collected passenger facility charges, restricted for approved projects	12,066,014	13,741,041
Collected transaction fee, restricted for approved projects	10,854,051	8,167,533
Funds designated for retainages in escrow (cash in bank)	1,570,700	558,452
Refurbishment and fuel deposits	<u>285,584</u>	<u>274,258</u>
Total Restricted Cash and Short-Term Investments	<u>\$ 25,264,649</u>	<u>\$ 23,222,466</u>

Note 3 - Receivable from Government Agencies

The Airport has received grants for airport construction, improvements, and land acquisition, from the Federal Airport Improvement Program (AIP) and other state and federal grants. Cash collected for construction, land acquisition, and operational grants were \$15,212,475 in 2018 and \$10,708,891 in 2017. 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:

	2018	2017
Government receivable, beginning of year	<u>\$ 1,668,471</u>	<u>\$ 1,979,862</u>
Funds expended	15,212,475	10,708,891
	<u>16,880,946</u>	<u>12,688,753</u>
Less cash received	<u>(12,931,793)</u>	<u>(11,020,282)</u>
Government receivable, end of year	<u>\$ 3,949,153</u>	<u>\$ 1,668,471</u>

Note 4 - Inventory

At the end of 2018 and 2017, 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, 2018 and 2017, was \$265,602 and \$230,120, respectively.

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Change in Capital Assets

A summary of changes in capital assets for the years ended December 31, 2018 and 2017, is as follows:

	Beginning Balance January 1, 2018	Additions	Deletions	Transfers	Ending Balance December 31, 2018
Nondepreciable Assets					
Land	\$ 20,843,688		\$ -	\$ 335,680	\$ 21,179,368
Construction in progress	10,907,133	40,101,498	-	(40,433,523)	10,575,108
Total Nondepreciable Assets	31,750,821	40,101,498	-	(40,097,843)	31,754,476
Depreciable Assets					
Land improvements	218,116,734	100,132	-	33,768,874	251,985,740
Buildings	182,515,491	-	-	2,749,712	185,265,203
Equipment	54,641,666	3,525,234	(681,425)	1,769,375	59,254,850
Water and sewer facilities	2,686,968	-	-	1,809,882	4,496,850
Total Depreciable Assets	457,960,859	3,625,366	(681,425)	40,097,843	501,002,643
Less accumulated depreciation for:					
Land improvements	99,008,640	12,294,936	-	-	111,303,576
Buildings	94,278,560	6,775,934	-	-	101,054,494
Equipment	34,542,221	4,464,183	(671,519)	-	38,334,885
Water and sewer facilities	1,055,876	137,303	-	-	1,193,179
Total Accumulated Depreciation	228,885,297	23,672,356	(671,519)	-	251,886,134
Total Depreciable Capital Assets - net	229,075,562	(20,046,990)	(9,906)	40,097,843	249,116,509
Total Capital Assets - net	\$ 260,826,383	\$ 20,054,508	\$ (9,906)	\$ -	\$ 280,870,985

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 5- Change in Capital Assets (Continued)

	Beginning Balance January 1, 2017	Additions	Deletions	Transfers	Ending Balance December 31, 2017
Nondepreciable Assets					
Land	\$ 19,818,076	\$ -	\$ -	\$ 1,025,612	\$ 20,843,688
Construction in progress	7,764,229	18,196,455	-	(15,053,551)	10,907,133
Total Nondepreciable Assets	<u>27,582,305</u>	<u>18,196,455</u>	<u>-</u>	<u>(14,027,939)</u>	<u>31,750,821</u>
Depreciable Assets					
Land improvements	211,171,653	631,305	(688,215)	7,001,991	218,116,734
Buildings	181,276,429	120,336	(588,167)	1,706,893	182,515,491
Equipment	53,491,834	1,247,569	(5,416,792)	5,319,055	54,641,666
Water and sewer facilities	2,686,968	-	-	-	2,686,968
Total Depreciable Assets	<u>448,626,884</u>	<u>1,999,210</u>	<u>(6,693,174)</u>	<u>14,027,939</u>	<u>457,960,859</u>
Less accumulated depreciation for:					
Land improvements	87,977,455	11,719,400	(688,215)	-	99,008,640
Buildings	88,132,519	6,495,052	(349,011)	-	94,278,560
Equipment	35,455,235	4,502,797	(5,415,811)	-	34,542,221
Water and sewer facilities	929,920	125,956	-	-	1,055,876
Total Accumulated Depreciation	<u>212,495,129</u>	<u>22,843,205</u>	<u>(6,453,037)</u>	<u>-</u>	<u>228,885,297</u>
Total Depreciable Capital Assets - net	<u>236,131,755</u>	<u>(20,843,995)</u>	<u>(240,137)</u>	<u>14,027,939</u>	<u>229,075,562</u>
Total Capital Assets - net	<u>\$ 263,714,060</u>	<u>\$ (2,647,540)</u>	<u>\$ (240,137)</u>	<u>\$ -</u>	<u>\$ 260,826,383</u>

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt

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

		2018		2017
	Due Within One Year	Due After One Year	Total	Total
2005 CERB loan, due in installments of increasing amounts through January 1, 2026, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build a FBO maintenance hangar.				
Original principal amount \$800,000.	\$ 47,473	\$ 345,873	\$ 393,346	\$ 440,349
2006 CERB loan, due in installments of increasing amounts through July 1, 2027, interest is payable annually at a rate of 1%. Proceeds of the loan were used to build an avionics repair and maintenance hangar.				
Original principal amount \$750,000.	\$ 44,764	\$ 358,111	\$ 402,875	\$ 447,639
2008 CERB loan, due in installments of increasing amounts beginning July 1, 2015, through July 1, 2029, interest is payable annually at a rate of .5%. Proceeds were used to refurbish a maintenance and repair facility.				
Original principal amount \$1,700,000.	\$ 113,333	\$ 1,133,334	\$ 1,246,667	\$ 1,360,000
2010 CERB loan, due in installments of increasing amounts July 31, 2015, through July 31, 2030, interest is payable annually at a rate of 0%. Proceeds of the loan were used to build an aircraft maintenance and paint hangar facility.				
Original principal amount \$4,000,000.	\$ 250,000	\$ 2,750,000	\$ 3,000,000	\$ 3,250,000
Total Long-Term Debt	\$ 455,570	\$ 4,587,318	\$ 5,042,888	\$ 5,497,988

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt (Continued)

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

	Principal	Interest	Total
2019	\$ 455,570	\$ 14,196	\$ 469,766
2020	456,045	12,707	468,752
2021	456,524	11,213	467,737
2022	457,009	9,714	466,723
2023	457,498	8,211	465,709
2024-2028	2,146,909	18,843	2,165,752
2029-2030	613,333	566	613,899
	<u>\$ 5,042,888</u>	<u>\$ 75,450</u>	<u>\$ 5,118,339</u>

Pursuant to agreements executed with all airlines, landing fees are determined using a formula, which is based on, among other factors, the maintenance of the 1.3 ratio of net revenues to maximum annual debt service. The 2008 series bonds require a ratio of net revenue equal to 1.3 times the maximum annual debt service on all outstanding bonds. The Airport Business Park 2005 series bonds require a ratio of net revenue equal to 1.25 times the maximum annual debt service on all outstanding bonds. The Airport was in compliance with these ratios in 2016. On May 23, 2017 the Airport redeemed the 2005 Airport Business Park 2005 bond series and defeased the 2008 Airport Revenue bonds.

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

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

	Balance at December 31, 2017	Increase	Decrease	Balance at December 31, 2018
2005 CERB loan payable	\$ 440,349	\$ -	\$ (47,003)	\$ 393,346
2006 CERB loan payable	447,639	-	(44,764)	402,875
2008 CERB loan payable	1,360,000	-	(113,333)	1,246,667
2010 CERB loan payable	3,250,000	-	(250,000)	3,000,000
	<u>\$ 5,497,988</u>	<u>\$ -</u>	<u>\$ (455,100)</u>	<u>\$ 5,042,888</u>

	Balance at December 31, 2016	Increase	Decrease	Balance at December 31, 2017
Revenue bonds of 2005	\$ 1,365,000	\$ -	\$ (1,365,000)	\$ -
Revenue bonds of 2008	4,175,000	-	(4,175,000)	-
2005 CERB loan payable	486,886	-	(46,537)	440,349
2006 CERB loan payable	492,403	-	(44,764)	447,639
2008 CERB loan payable	1,473,333	-	(113,333)	1,360,000
2010 CERB loan payable	3,500,000	-	(250,000)	3,250,000
Unamortized Premium	53,415	-	(53,415)	-
	<u>\$ 11,546,037</u>	<u>\$ -</u>	<u>\$ (6,048,049)</u>	<u>\$ 5,497,988</u>

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Long-Term Debt (Continued)

	Balance at December 31, 2017	Increase	Decrease	Balance at December 31, 2018
Deposits	\$ 285,758	\$ 6,625	\$ (6,800)	\$ 285,583
Accrued environmental liabilities	2,436,115		(35,399)	2,400,716
Accrued postretirement benefits	3,098,684		(621,018)	2,477,666
Pension liability	3,928,674		(1,143,788)	2,784,886
Compensated absences	1,016,594	333,807	(179,495)	1,170,906
	<u>\$ 10,765,825</u>	<u>\$ 340,432</u>	<u>\$ (1,986,500)</u>	<u>\$ 9,119,757</u>

	Balance at December 31, 2016	Increase	Decrease	Balance at December 31, 2017
Deposits	\$ 278,328	\$ 12,430	\$ (5,000)	\$ 285,758
Accrued environmental liabilities	2,409,865	161,271	(135,021)	2,436,115
Accrued postretirement benefits	3,718,522	18,032	(637,870)	3,098,684
Pension liability	4,740,904	-	(812,230)	3,928,674
Compensated absences	1,289,644	118,759	(391,809)	1,016,594
	<u>\$ 12,437,263</u>	<u>\$ 310,492</u>	<u>\$ (1,981,930)</u>	<u>\$ 10,765,825</u>

The estimated current portion of compensated absences for 2018 and 2017 was \$106,258 and 100,049.

Redeemed & Defeased Revenue Bonds

On February 23, 2017, the Airport Board voted to redeem the 2005 Bond series and to defease the 2008 Bond series. The 2005 bond were redeemed on June 22, 2017, there was a \$7,300 loss on the redemption.

On May 23, 2017 the 2008 Revenue Bonds were defeased by placing the \$4,326,510 in an irrevocable escrow account held and managed by U.S. Bank National Association (a defeasance Trustee). The monies deposited in Defeasance Trustee were invested U.S. Governmental Securities the principal and interest on which would provide amounts sufficient to pay the principal and interest of \$4,357,006 on the defeased bonds. Accordingly, the escrow account and the defeased bonds are not included in the Airport's financial statements. The 2008 debt defeasance resulting in a \$5,615 economic gain.

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, 2018 and 2017, were \$34,636 and \$24,376, respectively.

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

Years ending December 31,	
2019	\$ 24,609
2020	21,111
2021	21,111
Total	<u>\$ 66,831</u>

Note 8 - Pension and Benefit Plans

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

SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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.

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 2,784,886
Pension assets	\$ 2,036,299
Deferred outflows of resources	\$ 833,282
Deferred inflows of resources	\$ 1,680,475
Pension expense/expenditures	\$ 39,687

State Sponsored Pension Plans:

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

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

Public Employees' Retirement System (PERS)

Plan Description:

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

Pension Benefits:

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

Contributions:

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts

SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

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

The Spokane Airport Board's actual contributions to the plan were \$290,806 and \$271,541 for the years ended December 31, 2018 and 2017, 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.

SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

Contributions:

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 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.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 are as follows:

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

The Spokane Airport Board's actual contributions to the plan were \$430,625 and \$380,628 for the years ended December 31, 2018 and 2017, 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 2017. 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 LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The Spokane Airport Board's actual contributions to the plan were \$125,868 and \$120,068 for the years ended December 31, 2018 and 2017, 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, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. SIA's portion of the state contribution is \$80,095.

Actuarial Assumptions:

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

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate:

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return:

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class:

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component

SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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

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

Sensitivity of NPL:

The table below presents the Spokane Airport Board's proportionate share of the net pension liability 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	\$ 2,299,397	\$ 1,871,045	\$ 1,500,005
PERS 2/3	4,179,928	913,841	(1,763,987)
LEOFF 1	(467,784)	(588,233)	(691,542)
LEOFF 2	(192,594)	(1,448,276)	(2,472,432)

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, 2018 and 2017, the Spokane Airport Board reported a total pension liability and pension assets are as follows:

	2018	2017
	Liability (or Asset)	Liability (or Asset)
PERS 1	\$ 1,871,045	\$ 2,022,447
PERS 2/3	913,841	1,096,227
LEOFF 1	(588,023)	(494,750)
LEOFF 2	(1,448,276)	(1,030,960)

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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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	\$ 588,023	\$ 1,448,276
State's proportionate share of the net pension asset associated with the employer	3,977,373	937,732
TOTAL	\$ 4,565,396	\$ 2,386,008

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.042622%	0.041895%	0.000727%
PERS 2/3	0.054863%	0.053522%	0.001341%
LEOFF 1	0.032609%	0.032689%	0.000220%
LEOFF 2	0.074294%	0.071336%	0.002958%

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

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

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

Pension Expense:

For the year ended December 31, 2018 and 2017, the Spokane Airport Board recognized pension expense as follows:

	2018	2017
	Pension Expense	Pension Expense
PERS 1	\$ 128,358	\$ 255,139
PERS 2/3	(43,168)	243,865
LEOFF 1	(91,508)	(59,456)
LEOFF 2	(33,369)	50,258
TOTAL	\$ (39,687)	\$ 489,806

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, 2019 and 2018, respectively. At December 31, 2018 and 2017, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	December 31, 2018	
	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	-	(74,354)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	151,871	-
TOTAL	\$ 151,871	\$ (74,354)

PERS 1	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,146	\$ 62,692
Net difference between projected and actual investment earnings on pension plan investments	-	508,154
Changes of assumptions	20,248	-
Changes in proportion and differences between contributions and proportionate share of contributions	129,080	64,181
Contributions subsequent to the measurement date	211,363	-
TOTAL	\$ 553,837	\$ 635,027

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, 2017, the beginning of the measurement period ended June 30, 2018, is 7.2 years.

PERS 2/3	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 112,013	\$ (159,997)
Net difference between projected and actual investment earnings on pension plan investments	-	(560,775)
Changes of assumptions	10,690	(260,072)
Changes in proportion and differences between contributions and proportionate share of contributions	108,591	(73,978)
Contributions subsequent to the measurement date	223,742	-
TOTAL	\$ 455,036	\$ (1,054,822)

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

PERS 2/3	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,689	\$ 85,359
Net difference between projected and actual investment earnings on pension plan investments	316,419	-
Changes of assumptions	26,726	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	102,031
Contributions subsequent to the measurement date	168,108	-
TOTAL	\$ 648,942	\$ 187,390

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, 2017, the beginning of the measurement period ended June 30, 2018, is 1 year.

LEOFF 1	December 31, 2018	
	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	-	(47,739)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ (47,739)

LEOFF 1	December 31, 2017	
	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	-	45,974
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	\$ -	\$ 45,974

The average of the expected remaining service lives of all employees in LEOFF 2 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017, the beginning of the measurement period ended June 30, 2018, is 10.5 years.

SPOKANE AIRPORT BOARD
NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

LEOFF 2	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,581	\$ (33,629)
Net difference between projected and actual investment earnings on pension plan investments	-	(253,467)
Changes of assumptions	820	(207,854)
Changes in proportion and differences between contributions and proportionate share of contributions	83,868	(8,610)
Contributions subsequent to the measurement date	64,106	-
TOTAL	\$ 226,375	\$ (503,560)

LEOFF 2	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,313	\$ 39,096
Net difference between projected and actual investment earnings on pension plan investments	-	231,458
Changes of assumptions	1,241	-
Changes in proportion and differences between contributions and proportionate share of contributions	73,066	11,042
Contributions subsequent to the measurement date	62,776	-
TOTAL	\$ 182,396	\$ 281,596

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, 2019. 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
2019	\$ 3,253
2020	\$ (16,254)
2021	\$ (48,774)
2022	\$ (12,579)
2023	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2019	\$ (100,405)
2020	\$ (175,523)
2021	\$ (329,014)
2022	\$ (112,874)
2023	\$ (32,814)
Thereafter	\$ (72,896)

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

Note 8 - Pension and Benefit Plans (Continued)

Year ended December 31:	LEOFF 1
2019	\$ 46
2020	\$ (10,769)
2021	\$ (29,332)
2022	\$ (7,683)
2023	\$ -
Thereafter	\$ -

Year ended December 31:	LEOFF 2
2019	\$ (11,413)
2020	\$ (49,789)
2021	\$ (129,528)
2022	\$ (54,182)
2023	\$ (18,247)
Thereafter	\$ (78,132)

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 2018:

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$ 2,446,912
OPEB assets	\$ -
Deferred outflows of resources	\$ 616,852
Deferred inflows of resources	\$ 976,934
OPEB expense/expenditures	\$ 75,529

The most recent actuarial evaluation was performed on March 30, 2019 for the year ended December 31, 2018.

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 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, 2018, 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

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

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, 2018 and 2017, using the entry age normal cost method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was \$2,446,912 and \$3,062,684, respectively, all of which was unfunded.

Assumptions and Other Inputs:

The following actuarial methods and assumptions were made:

Assumption/Input	Value
Valuation Date	12/31/2018
Measurement Date	12/31/2018
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	15
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	3.3% at 12-31-2017 3.83% at 12-31-2018
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	3.83%
Retirement Age	65
Mortality Table	RP-2014 Mortality with 2018 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 %, 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) than the current rate.

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

Note 8 - Pension and Benefit Plans (Continued)

	1% Decrease 8% decreasing to 4.0%	Current Healthcare Cost Trend Rate 9% decreasing to to 5.0%	1% Increase 10% decreasing to 6.0%
Total OPEB Liability	\$ 2,247,701	\$ 2,446,912	\$ 2,674,167

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

	1% Decrease (2.83%)	Current Discount Rate (3.83%)	1% Increase (4.83%)
Total OPEB Liability	\$ 2,707,502	\$ 2,446,912	\$ 2,224,524

Changes in the Total OPEB Liability:

Spokane Airport Firefighter OPEB Plan	
Total OPEB Liability at 01/01/2018	\$ 3,062,684
Service cost	-
Interest	98,577
Changes of benefit terms	-
*Differences between expected and actual experience	(430,493)
*Changes of assumptions	(132,858)
Benefit payments	(150,998)
Other changes	-
Total OPEB Liability at 12/31/2018	2,446,912

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

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

The benefit payments in the measurement period attributable to the purchase of insurance contract for the year ending December 31, 2018 totaled \$113,056. 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.

The amount of OPEB expense recognized by the Airport for the reporting period ending December 31, 2018 was \$75,470.

SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

Note 8 - Pension and Benefit Plans (Continued)

At December 31, 2018, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 490,541	\$ 627,996
Changes of assumptions	\$ 126,311	\$ 348,938
Payments subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ 616,852	\$ 976,934

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, 2019. 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
2019	\$ (23,108)
2020	\$ (23,108)
2021	\$ (23,108)
2022	\$ (23,108)
2023	\$ (23,108)
Thereafter	\$ (244,542)

Termination Benefits:

On July 20, 2015 the January 1, 2014 - 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, 2018 and 2017 was \$30,754 and \$36,000.

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 \$139,373 and \$164,784 for the years ended December 31, 2018 and 2017, 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.

SPOKANE AIRPORT BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 9 - Deferred Compensation (Continued)

The market value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were approximately \$2,716,877 and \$2,661,014 at December 31, 2018 and 2017, respectively. In accordance with legislation described above, the assets and associated liability of the deferred compensation plan assets are not included in the Airport's statement of net position.

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

Note 10 - Rental Income Under Operating Leases

The Airport leases substantially all terminal building space, as well as other space, to airlines and others. All leases have been treated as operating leases. The costs and related accumulated depreciation of property under leases is not practically determinable as to the segregation of the value of the assets associated with producing minimum rental income and the value of the assets associated with the entire facility. The majority of the Airport's leases relate only to portions of buildings and other spaces. During 2018 and 2017, the Airport recognized income of \$19,951,608 and \$18,326,977, respectively, as a result of these leases.

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

Years ending December 31,	
2019	\$ 15,559,727
2020	10,973,966
2021	8,336,155
2022	6,583,306
2023	2,673,007
Thereafter	<u>20,434,256</u>
Total future minimum rental payments	<u>\$ 64,560,417</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 \$2,261,705 and \$1,901,925 in 2018 and 2017, respectively.

Landing fees received under agreements with all airlines amounted to \$5,776,869 and \$5,069,585 in 2018 and 2017, respectively.

Note 11 - Related Party Leases

The Airport has non-cancelable operating land lease agreements with the City of Spokane, a related party. The Airport recognized income of \$141,437, in 2018 and \$141,562 in 2017 as a result of the land leases. The Airport purchases various utilities and permits from the city. In 2018 and 2017 those amounts totaled \$269,539 and \$263,602, respectively.

The Airport has operating lease agreements with various entities within Spokane County, a related party. During 2018 and 2017, the Airport recognized income of \$416,408 and \$416,470, respectively, under the lease agreements. The Airport purchases various services from the county. In 2018 and 2017, those amounts totaled \$9,870 and \$21,712, respectively.

The Airport purchases the majority of its electrical power from Avista Utilities. During 2018 and 2017, employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities \$1,774,733 and \$1,592,909 in 2018 and 2017, respectively. The Airport received revenue from Avista for 2018 and 2017 in the amount of \$19,890 and \$0.

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

SPOKANE AIRPORT BOARD NOTES TO THE FINANCIAL STATEMENTS

Note 12 - Environmental Liability

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

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

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

The Airport has multiple test wells and has retained engineering firms to monitor surface water and groundwater quality to determine the environmental impact of current aircraft and runway deicing practices. Based on these studies and discussions with the Department of Ecology, in April 2010, an application for a State Waste Discharge Permit for Discharge of Industrial Wastewater to Groundwater was submitted on July 11, 2011, and was accepted on August 26, 2011. The Airport is operating under the existing temporary permit.

In July 2015, the Airport submitted to the Department of Ecology an application to land apply recovered aircraft deicing fluid. Ecology has acknowledged receipt of the application and the review period is in effect. Monitoring of the effect of land application of aircraft deicing fluids is on-going.

The Airport has estimated an environmental liability in the amount of \$2,400,716 and \$2,436,115 as of December 31, 2018 and 2017, 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, 2018, 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 2018, the Airport entered into various construction and service related contracts totaling \$11,604,668 with remaining commitments totaling \$3,020,044 at December 31, 2018.

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 12 - Environmental Liability (Continued)

Note 15 - Net Position

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

	2018	2017
Long-term assets		
Land	\$ 21,179,368	\$ 20,843,688
Construction in process	10,575,108	10,907,133
Depreciable capital assets, net	249,116,509	229,075,562
Total capital assets	\$ 280,870,985	\$ 260,826,383
Less related liabilities		
Construction Retainage Payable	\$ 544,821	\$ 446,140
Construction Warrants Payable	1,025,879	1,055,271
Current portion of long-term debt	455,570	455,100
Long-term debt	4,587,318	5,042,888
Total liabilities	6,613,588	6,999,399
INVESTED IN CAPITAL ASSETS	<u>\$ 274,257,397</u>	<u>\$ 253,826,984</u>

Restricted net position consists of the following:

	2018	2017
Passenger facility charge, investments, restricted for approved projects	\$ 12,066,014	\$ 13,741,041
Customer Facility Charges	10,854,051	8,167,533
Investments restricted for repayment on debt	24,848	17,347
Cash restricted for retainages, deposits, and grants	767,802	658,245
Receivable from government Agency	3,949,153	1,668,471
Net Pension Asset	2,036,299	1,525,710
RESTRICTED NET POSITION	<u>\$ 29,698,167</u>	<u>\$ 25,778,347</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 2019 and in 2018.

Note 17 - Subsequent Events

Early in 2019, the Airport Board approved the following contracts:

Construction contracts	\$ 8,875,481
Service contracts	4,677,745
Consulting contracts	228,819
Goods purchases	<u>1,457,484</u>
Total Contracts	<u>\$ 15,239,529</u>



Required Supplementary Information

**SPOKANE AIRPORT BOARD
REQUIRED SUPPLEMENTARY INFORMATION**

State Sponsored Pension Plans

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

PERS 1	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.041895%	0.042622%	0.040130%	0.039292%	0.041972%
Employer's proportionate share of the net pension liability	\$ 1,871,045	\$ 2,022,447	\$ 2,155,170	\$ 2,072,175	\$ 2,112,914
Employer's covered employee payroll	5,741,232	5,960,060	4,868,988	4,524,442	4,617,726
Employer's proportionate share of the net pension liability as a percentage of covered payroll	32.59%	33.93%	44.26%	45.80%	45.76%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	61.19%
PERS 2/3	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.053522%	0.054863%	0.051356%	0.050566%	0.053087%
Employer's proportionate share of the net pension liability	\$ 913,841	\$ 1,906,227	\$ 2,585,734	\$ 1,838,537	\$ 1,075,519
Employer's covered payroll	5,741,232	5,960,060	4,868,988	4,515,039	4,587,162
Employer's proportionate share of the net pension liability as a percentage of covered payroll	15.92%	31.98%	53.11%	40.72%	23.45%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	93.29%
LEOFF 1	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.032389%	0.032609%	0.034301%	0.035194%	0.036583%
Employer's proportionate share of the net pension liability	\$ (588,023)	\$ (494,750)	\$ (353,398)	\$ (424,165)	\$ (443,675)
Employer's covered payroll	-	-	-	-	23,038
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (3,977,373)	\$ (3,346,479)	\$ (2,390,378)	\$ (2,869,042)	\$ (3,001,007)
TOTAL	\$ (4,565,396)	\$ (3,841,229)	\$ (2,743,776)	\$ (3,293,207)	\$ (3,444,682)
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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%	126.91%
LEOFF 2	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.071336%	0.074294%	0.073676%	0.082249%	0.080339%
Employer's proportionate share of the net pension liability	\$ (1,448,276)	\$ (1,030,960)	\$ (428,522)	\$ (839,853)	\$ (1,060,517)
State's proportionate share of the net pension liability (asset) associated with the employer	(937,732)	(668,764)	(279,365)	(555,133)	(692,922)
TOTAL	\$ (2,386,008)	\$ (1,699,724)	\$ (707,887)	\$ (1,394,986)	\$ (1,753,439)
Employer's covered payroll	2,397,478	2,476,968	2,278,302	2,384,962	2,256,310
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-99.52%	-68.62%	-31.07%	-58.49%	-77.71%
Plan fiduciary net position as a percentage of the total pension liability	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

PERS 1	2018	2017	2016	2015	2014 *
Statutorily or contractually required contributions	\$ 290,805	\$ 271,541	\$ 245,770	\$ 205,343	\$ 182,726
Contributions in relation to the statutorily or contractually required contributions	290,805	271,541	245,770	205,343	182,726
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	5,741,232	5,538,859	5,193,812	4,669,550	4,543,077
Contributions as a percentage of covered payroll	5.07%	4.90%	4.73%	4.40%	4.02%
PERS 2/3	2018	2017	2016	2015	2014 *
Statutorily or contractually required contributions	\$ 430,625	\$ 380,628	\$ 321,470	\$ 263,805	\$ 227,331
Contributions in relation to the statutorily or contractually required contributions	430,625	380,628	321,470	263,805	227,331
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	5,741,232	5,538,859	5,193,812	4,669,550	4,543,077
Contributions as a percentage of covered payroll	7.50%	6.87%	6.19%	5.65%	5.00%
LEOFF 1	2018	2017	2016	2015	2014 *
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%	0.00%	0.00%
LEOFF 2	2018	2017	2016	2015	2014 *
Statutorily or contractually required contributions	\$ 125,868	\$ 120,068	\$ 112,905	\$ 119,085	\$ 119,032
Contributions in relation to the statutorily or contractually required contributions	125,868	120,068	112,905	119,085	119,032
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll	2,397,478	2,330,224	2,235,741	2,358,113	2,357,062
Contributions as a percentage of covered payroll	5.25%	5.15%	5.05%	5.05%	5.05%

* 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**

Other Postemployment Health Care Benefits

The following information is based on an actuarial report prepared on April 9, 2019, for the fiscal years ending December 31, 2018 and 2017.

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31, 2018

Last 10 Fiscal Years*

	2018	2017
Total OPEB liability - Beginning	\$ 3,062,684	\$ 3,202,985
Service cost	-	-
Interest	98,577	117,440
Changes in benefit terms	-	-
Differences between expected and actual experience	(430,493)	(261,003)
Changes of assumptions	(132,858)	145,743
Benefit payments	(150,998)	(142,481)
Other changes	-	-
Total OPEB liability - ending	<u>2,446,912</u>	<u>3,062,684</u>
Plan fiduciary net position		
Contribution	\$ 150,998	\$ 142,481
Net Investment Income	-	-
Benefit Payments	(150,998)	(142,481)
Administrative Expense	-	-
Other	-	-
Net Change in Fiduciary Net Position	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>2,446,912</u>	<u>3,062,684</u>
Plan Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%
Covered-employee payroll	\$ -	\$ -
Total OPEB liability as a % of covered payroll	0.00%	0.00%

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)

The following actuarial methods and assumptions were made:

Assumption/Input	Value
Valuation Date	12/31/2018
Measurement Date	12/31/2018
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	15
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	3.3% at 12-31-2017 3.83% at 12-31-2018
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	3.83%
Retirement Age	65
Mortality Table	RP-2014 Mortality with 2018 Improvement Rate
Turnover Table	T2 Table
Number of Participants in plan	11
Changes in Benefits	None
Salary changes	Not applicable



Statistical Section

SPOKANE AIRPORT BOARD STATISTICAL INFORMATION GROUPS

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

SPOKANE AIRPORT BOARD SCHEDULE OF NET POSITION

Fiscal Year Ended December 31

	2018	2017 ¹	2016
ASSETS			
Current Assets	\$ 34,845,581	\$ 37,820,736	\$ 35,261,154
Noncurrent Assets			
Other Noncurrent Assets	25,411,934	23,909,284	19,997,073
Capital Assets	280,870,985	260,826,383	263,714,060
Total Assets	341,128,500	322,556,403	318,972,287
DEFERRED OUTFLOW OF RESOURCES	1,450,134	1,545,621	1,231,285
LIABILITIES			
Current Liabilities	\$ 9,121,165	\$ 7,161,243	\$ 6,782,112
Non Current Liabilities			
Other Noncurrent Liabilities	9,119,757	10,765,825	12,437,263
Long-term debt, due in more than one year	4,587,318	5,042,888	8,865,617
Total Liabilities	22,828,240	22,969,956	28,084,992
DEFERRED INFLOW OF RESOURCES	2,657,409	1,525,357	195,476
NET POSITION			
Net Investment in capital assets	274,257,397	253,826,984	251,466,243
Restricted	29,698,167	25,778,347	22,407,737
Unrestricted	13,137,421	20,001,380	18,049,124
Total Net Position	<u>\$317,092,985</u>	<u>\$299,606,711</u>	<u>\$291,923,104</u>

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 75

**SPOKANE AIRPORT BOARD
SCHEDULE OF NET POSITION**

2015	2014	2013	2012	2011	2010	2009
\$ 37,117,418	\$ 42,960,697	\$ 45,508,746	\$ 45,342,523	\$ 48,538,487	\$ 42,179,500	\$ 47,844,031
13,977,546	6,466,560	8,413,356	7,366,982	7,510,352	6,732,834	9,224,975
270,723,339	271,533,942	259,955,461	255,529,286	247,657,219	234,136,254	208,916,396
321,818,303	320,961,199	313,877,563	308,238,791	303,706,058	283,048,588	265,985,402
603,135	292,965	-	-	-	-	-
\$ 8,100,546	\$ 8,664,497	\$ 12,790,448	\$ 11,369,189	\$ 8,550,251	\$ 9,882,185	\$ 10,922,278
11,496,951	10,993,570	9,348,524	9,358,826	9,701,630	8,912,751	8,532,910
11,546,038	14,390,997	17,695,857	20,790,431	23,784,143	26,457,516	26,582,981
31,143,535	34,049,064	39,834,829	41,518,446	42,036,024	45,252,452	46,038,169
1,018,778	2,136,654	-	-	-	-	-
256,084,993	253,547,618	237,963,305	229,895,863	217,956,169	205,244,923	179,430,874
15,964,052	10,559,373	14,361,161	12,483,282	12,519,225	11,415,113	14,861,034
18,210,080	20,961,455	21,718,268	24,341,200	31,194,640	21,136,100	25,655,325
<u>\$290,259,125</u>	<u>\$285,068,446</u>	<u>\$274,042,734</u>	<u>\$266,720,345</u>	<u>\$261,670,034</u>	<u>\$237,796,136</u>	<u>\$219,947,233</u>

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

Fiscal Year Ended December 31

	2018	2017 ¹	2016	2015
Operating revenues:				
Airfield	\$ 6,812,050	\$ 5,970,732	\$ 5,352,771	\$ 4,474,681
Passenger terminal	14,875,342	13,484,639	12,163,996	11,549,505
Leased buildings	2,806,514	2,713,526	2,937,847	2,678,422
Leased areas	2,269,752	2,128,812	2,036,034	1,997,955
Parking and ground transportation	13,257,078	11,777,170	10,239,333	9,413,381
Other	182,132	173,473	366,006	122,579
Total Operating Revenue	40,202,868	36,248,352	33,095,987	30,236,523
Operating expenses:				
Airfield	9,672,674	11,004,706	9,986,991	8,281,472
Passenger terminal	5,291,815	5,017,850	5,026,242	4,507,214
Leased buildings	1,200,117	1,517,032	1,116,535	2,075,678
Parking and ground transportation	4,629,703	4,384,068	3,634,293	3,014,796
Administration and operations	5,660,522	5,346,960	4,704,379	4,638,465
Total Operating Expense	26,454,831	27,270,616	24,468,440	22,517,625
Operating income before depreciation	13,748,037	8,977,736	8,627,547	7,718,898
Depreciation	23,672,355	22,843,205	22,266,977	20,554,491
Operating income (loss)	(9,924,318)	(13,865,469)	(13,639,430)	(12,835,593)
Nonoperating revenues (expenses):				
Interest income	1,051,727	820,159	739,299	501,573
Interest expense, including amortization of bond premiums	(14,826)	(182,682)	(300,324)	(391,774)
Gain (loss) on disposition of assets	73,138	(168,032)	(28,769)	9,270
Gain (loss) on investments	220,026	(178,761)	(180,518)	-
Gain (loss) on redemption of bonds	-	(1,685)	-	-
Grant revenue	345,541	445,953	303,208	331,051
Grant expense	(345,541)	(445,953)	(303,208)	(331,051)
Transaction fee	3,577,916	3,330,079	3,191,471	3,090,745
Passenger facility charges	7,635,677	6,866,466	6,223,821	5,989,211
Total Nonoperating revenue (expenses)	12,543,658	10,485,544	9,644,980	9,199,025
Increase (Decrease) in net assets before capital grants and related items	2,619,340	(3,379,925)	(3,994,450)	(3,636,568)
Capital contributions				
Federal AIP and other grants	14,866,934	10,262,938	5,492,114	8,827,247
State grants & other contributions	-	-	166,315	-
Total Capital Contributions	14,866,934	10,262,938	5,658,429	8,827,247
Increase In Net Position	17,486,274	6,883,013	1,663,979	5,190,679
Net Position, beginning of year	299,606,711	291,923,104	290,259,125	285,068,446
Cumulative effect of adoption of GASB 75	-	800,594	-	-
Net position, beginning of year, as restated	299,606,711	292,723,698	290,259,125	285,068,446
Net position, end of year	\$317,092,985	\$299,606,711	\$291,923,104	\$290,259,125

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 75

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

2014	2013	2012	2011	2010	2009
\$ 3,967,783	\$ 4,330,579	\$ 4,715,829	\$ 4,868,650	\$ 4,815,980	\$ 4,074,866
10,971,883	10,484,004	10,452,201	10,519,971	10,522,276	9,818,563
2,243,089	2,273,517	2,324,069	2,318,989	2,017,726	1,887,568
1,916,875	1,848,795	1,577,762	1,699,951	1,598,592	1,459,603
8,617,186	8,380,053	8,317,095	8,410,865	8,523,998	8,309,996
119,581	152,856	99,065	153,996	121,011	181,656
27,836,397	27,469,804	27,486,021	27,972,422	27,599,583	25,732,252
8,946,017	8,952,352	8,041,863	8,536,085	7,490,835	6,947,641
4,361,006	4,343,695	3,962,181	4,060,664	3,624,156	3,922,996
942,667	1,368,734	1,028,150	611,989	642,503	392,230
2,551,534	2,820,033	2,153,263	1,932,412	1,529,511	1,338,322
4,597,557	4,774,382	3,993,964	4,060,758	5,153,054	4,039,907
21,398,781	22,259,196	19,179,421	19,201,908	18,440,059	16,641,096
6,437,616	5,210,608	8,306,600	8,770,514	9,159,524	9,091,156
18,176,458	16,779,037	14,986,692	13,324,266	11,463,381	9,232,226
(11,738,842)	(11,568,429)	(6,680,092)	(4,553,752)	(2,303,857)	(141,070)
432,246	423,440	576,935	516,388	401,232	927,056
(491,735)	(582,921)	(675,831)	(763,536)	(1,244,145)	(1,316,724)
89,315	213,000	(23,709)	(957,231)	(2,078,903)	(10,150)
-	-	-	-	-	-
-	-	-	-	-	-
381,572	314,874	482,895	447,913	343,268	608,551
(373,773)	(295,652)	(451,006)	(426,424)	(343,268)	(608,551)
2,738,343	2,691,068	2,263,582	2,119,929	2,031,312	1,935,327
5,721,871	5,650,426	5,763,073	6,013,364	6,480,728	5,974,672
8,497,839	8,414,235	7,935,939	6,950,403	5,590,224	7,510,181
(3,241,003)	(3,154,194)	1,255,847	2,396,651	3,286,367	7,369,111
18,081,544	10,476,583	3,294,464	21,865,445	13,026,472	16,683,358
47,000	-	500,000	-	1,536,064	533,759
18,128,544	10,476,583	3,794,464	21,865,445	14,562,536	17,217,117
14,887,541	7,322,389	5,050,311	24,262,096	17,848,903	24,586,228
274,042,734	266,720,345	261,670,034	237,796,136	-	-
(3,861,829)	-	-	(388,198)	-	-
270,180,905	266,720,345	261,670,034	237,407,938	219,947,233	195,361,005
\$285,068,446	\$274,042,734	\$266,720,345	\$261,670,034	\$237,796,136	\$219,947,233

SPOKANE AIRPORT BOARD
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SIA

Fiscal Year Ended December 31

	2018	2017 ¹	2016	2015
	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport
Operating revenue:				
Airfield	\$ 6,764,841	\$ 5,919,924	\$ 5,305,671	\$ 4,431,776
Passenger terminal	14,848,830	13,458,135	12,136,938	11,514,106
Leased buildings	1,263,993	1,200,745	1,113,068	1,132,383
Leased areas	1,652,322	1,520,217	1,426,503	1,402,335
Parking and ground transportation	13,257,078	11,777,170	10,239,333	9,413,381
Other	176,387	164,128	235,991	112,231
Total Operating Income	37,963,451	34,040,319	30,457,504	28,006,212
Operating expenses:				
Airfield	9,538,059	10,889,757	9,888,115	8,145,688
Passenger terminal	5,235,096	4,961,463	4,848,628	4,449,826
Leased buildings	703,271	834,144	563,129	1,026,997
Parking and ground transportation	4,629,703	4,384,068	3,634,293	3,014,796
Administration and operations	5,183,433	4,852,462	4,310,452	4,051,309
Total Operating Expenses	25,289,562	25,921,894	23,244,617	20,688,616
Operating income before depreciation	12,673,889	8,118,425	7,212,887	7,317,596
Depreciation	21,638,109	20,942,463	20,709,014	19,262,846
Operating income (loss)	(8,964,220)	(12,824,038)	(13,496,127)	(11,945,250)
Nonoperating income (expense):				
Other nonoperating income (expenses)	1,310,716	352,798	313,634	183,156
Transaction fee	3,577,916	3,330,079	3,191,471	3,090,745
Passenger facility charges	7,635,677	6,866,466	6,223,821	5,989,211
Total Nonoperating income (expense)	12,524,309	10,549,343	9,728,926	9,263,112
Increase (decrease) in net assets before capital grants and related items	3,560,089	(2,274,695)	(3,767,201)	(2,682,138)
Capital contributions				
AIP and other federal grants	14,866,934	10,110,510	521,127	8,672,131
Other	-	-	-	-
State grants	-	-	-	-
Total Capital Contributions	14,866,934	10,110,510	521,127	8,672,131
Increase In Net Position	\$ 18,427,023	\$ 7,835,815	\$ (3,246,074)	\$ 5,989,993

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 75

SPOKANE AIRPORT BOARD
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SIA

2014	2013	2012	2011	2010	2009
Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport	Spokane International Airport
\$ 3,932,013	\$ 4,297,210	\$ 4,680,552	\$ 4,828,015	\$ 4,769,467	\$ 4,052,470
10,846,392	10,356,832	10,323,463	10,345,751	10,327,173	9,517,920
831,173	790,627	731,372	729,172	593,182	539,443
1,343,875	1,277,621	1,076,628	1,241,546	1,022,766	948,406
8,617,186	8,380,053	8,317,095	8,410,865	8,523,998	8,309,996
87,471	136,839	92,041	153,996	109,724	169,408
25,658,110	25,239,182	25,221,151	25,709,345	25,346,310	23,537,643
8,775,411	8,773,024	7,961,434	8,355,216	7,175,460	6,586,512
4,306,244	4,290,847	3,909,329	3,956,630	3,550,715	3,730,980
421,634	316,013	601,263	208,547	356,690	136,579
2,551,534	2,820,033	2,153,263	1,932,412	1,529,511	1,338,322
3,997,421	4,201,351	3,385,093	3,503,278	4,740,545	3,648,729
20,052,244	20,401,268	18,010,382	17,956,083	17,352,921	15,441,122
5,605,866	4,837,914	7,210,769	7,753,262	7,993,389	8,096,521
17,103,075	15,739,751	14,046,683	12,358,452	10,652,847	8,317,873
(11,497,209)	(10,901,837)	(6,835,914)	(4,605,190)	(2,659,458)	(221,352)
114,680	(60,158)	(116,776)	(1,176,132)	(2,805,571)	(267,725)
2,738,343	2,691,068	2,263,582	2,119,929	2,031,312	1,935,327
5,721,871	5,650,426	5,763,073	6,013,364	6,480,728	5,974,672
8,574,894	8,281,336	7,909,879	6,957,161	5,706,469	7,642,274
(2,922,315)	(2,620,501)	1,073,965	2,351,971	3,047,011	7,420,922
15,765,085	6,116,754	1,550,985	21,704,726	12,620,922	16,169,758
-	-	500,000	-	270,929	-
-	-	-	-	78,391	533,759
15,765,085	6,116,754	2,050,985	21,704,726	12,970,242	16,703,517
\$ 12,842,770	\$ 3,496,253	\$ 3,124,950	\$ 24,056,697	\$ 16,017,253	\$ 24,124,439

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

Fiscal Year Ended December 31

	<u>2018</u>	<u>2017¹</u>	<u>2016</u>	<u>2015</u>
	<u>Airport Business Park</u>	<u>Airport Business Park</u>	<u>Airport Business Park</u>	<u>Airport Business Park</u>
Operating revenue:				
Airfield	\$ -	\$ -	\$ -	\$ -
Passenger terminal	-	-	-	-
Leased buildings	1,254,629	1,219,369	1,533,543	1,258,204
Leased areas	241,453	240,177	240,162	242,389
Parking and ground transportation	-	-	-	-
Other	5,320	8,849	129,845	10,257
Total Operating Income	<u>1,501,402</u>	<u>1,468,395</u>	<u>1,903,550</u>	<u>1,510,850</u>
Operating expenses:				
Airfield	-	-	-	-
Passenger terminal	-	-	-	-
Leased buildings	390,715	449,715	595,892	828,682
Parking and ground transportation	-	-	-	-
Administration and operations	129,900	194,901	168,405	268,524
Total Operating Expenses	<u>520,615</u>	<u>644,616</u>	<u>764,297</u>	<u>1,097,206</u>
Operating income before depreciation	980,787	823,779	1,139,253	413,644
Depreciation	<u>515,242</u>	<u>464,478</u>	<u>470,754</u>	<u>430,080</u>
Operating income (loss)	<u>465,545</u>	<u>359,301</u>	<u>668,499</u>	<u>(16,436)</u>
Nonoperating income (expense):				
Other nonoperating income (expenses)	(23,171)	(68,467)	(74,778)	(69,064)
Transaction fee	-	-	-	-
Passenger facility charges	-	-	-	-
Total Nonoperating income (expense)	<u>(23,171)</u>	<u>(68,467)</u>	<u>(74,778)</u>	<u>(69,064)</u>
Increase (decrease) in net assets before capital grants and related items	<u>442,374</u>	<u>290,834</u>	<u>593,721</u>	<u>(85,500)</u>
Capital contributions				
Total Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) In Net Position	<u>\$ 442,374</u>	<u>\$ 290,834</u>	<u>\$ 593,721</u>	<u>\$ (85,500)</u>

Source: Spokane Airport Finance Dept.:

¹ This year has been restated to reflect the adoption of GASB 75

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

2014	2013	2012	2011	2010	2009
Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park	Airport Business Park
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,242,930	1,337,232	1,358,385	1,372,183	1,327,862	1,248,585
237,144	233,593	232,757	195,124	190,189	277,818
-	-	-	-	-	-
17,972	15,807	10,111	-	17,310	9,502
1,498,046	1,586,632	1,601,253	1,567,307	1,535,361	1,535,905
-	-	-	102,799	124,814	136,796
-	-	-	48	(104)	59,958
424,278	966,712	346,368	269,286	206,239	171,383
-	-	-	-	-	-
238,336	250,968	269,499	271,551	264,317	233,812
662,614	1,217,680	615,867	643,684	595,266	601,949
835,432	368,952	985,386	923,623	940,095	933,956
424,463	421,069	452,050	486,735	363,105	545,935
410,969	(52,117)	533,336	436,888	576,990	388,021
(82,261)	(87,355)	8,831	(17,362)	(119,875)	(132,093)
-	-	-	-	-	-
-	-	-	-	-	-
(82,261)	(87,355)	8,831	(17,362)	(119,875)	(132,093)
328,708	(139,472)	542,167	419,526	457,115	255,928
-	-	-	-	-	-
\$ 328,708	\$ (139,472)	\$ 542,167	\$ 419,526	\$ 457,115	\$ 255,928

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

Fiscal Year Ended December 31

	2018	2017 ¹	2016	2015
	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport
Operating revenue:				
Airfield	\$ 47,209	\$ 50,808	\$ 47,100	\$ 42,905
Passenger terminal	26,512	26,504	27,058	35,399
Leased buildings	287,892	293,412	291,236	287,835
Leased areas	375,977	368,418	369,369	353,231
Parking and ground transportation	-	-	-	-
Other	425	496	170	91
Total Operating Income	738,015	739,638	734,933	719,461
Operating expenses:				
Airfield	134,615	114,949	98,876	135,784
Passenger terminal	56,719	56,387	177,614	57,388
Leased buildings	106,131	233,173	(42,486)	219,999
Parking and ground transportation	-	-	-	-
Administration and operations	347,189	299,597	225,522	318,632
Total Operating Expenses	644,654	704,106	459,526	731,803
Operating income before depreciation	93,361	35,532	275,407	(12,342)
Depreciation	1,519,004	1,436,264	1,087,209	861,565
Operating income (loss)	(1,425,643)	(1,400,732)	(811,802)	(873,907)
Nonoperating income (expense):				
Other nonoperating income (expense)	42,520	4,668	(9,168)	4,977
Total Nonoperating income (expense)	42,520	4,668	(9,168)	4,977
Increase (decrease) in net assets before capital grants and related items	(1,383,123)	(1,396,064)	(820,970)	(868,930)
Capital contributions				
Total Capital Contributions	-	152,428	5,137,302	155,116
Increase (Decrease) In Net Position	\$ (1,383,123)	\$ (1,243,636)	\$ 4,316,332	\$ (713,814)

Source: Spokane Airport Finance Dept.

¹ This year has been restated to reflect the adoption of GASB 75

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

2014	2013	2012	2011	2010	2009
Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport	Felts Field Airport
\$ 35,770	\$ 33,369	\$ 35,277	\$ 40,635	\$ 46,513	\$ 22,396
125,491	127,172	128,738	174,220	195,103	194,604
168,986	145,658	234,312	217,634	96,682	99,540
335,856	337,581	268,377	263,281	385,637	339,418
-	-	-	-	-	-
14,138	210	(3,087)	-	(6,023)	2,746
680,241	643,990	663,617	695,770	717,912	658,704
170,606	179,328	80,429	78,070	190,561	224,333
54,762	52,848	52,852	103,986	73,545	132,058
96,755	86,009	80,519	134,156	79,574	84,268
-	-	-	-	-	-
361,800	322,063	339,372	285,929	148,192	157,366
683,923	640,248	553,172	602,141	491,872	598,025
(3,682)	3,742	110,445	93,629	226,040	60,679
648,920	618,217	487,959	479,079	447,429	368,418
(652,602)	(614,475)	(377,514)	(385,450)	(221,389)	(307,739)
5,206	220,254	17,229	10,604	3,630	-
5,206	220,254	17,229	10,604	3,630	-
(647,396)	(394,221)	(360,285)	(374,846)	(217,759)	(307,739)
2,363,459	4,359,829	1,743,479	160,719	1,592,294	513,600
\$ 1,716,063	\$ 3,965,608	\$ 1,383,194	\$ (214,127)	\$ 1,374,535	\$ 205,861

SPOKANE AIRPORT BOARD PRINCIPAL REVENUE SOURCES

Fiscal Year Ended December 31

	2018	2017	2016	2015
Landing fees	\$ 5,768,945	\$ 5,067,905	\$ 4,500,487	\$ 3,730,495
Leased buildings and land	5,076,266	4,842,338	4,973,881	4,676,377
Rental cars	10,331,596	9,339,219	8,734,510	8,344,923
Parking lots	13,257,078	11,777,170	10,239,333	9,413,381
PFC	7,635,677	6,866,466	6,223,821	5,989,211
Transaction fee	3,577,916	3,330,079	3,191,471	3,090,745
Interest revenue	1,051,727	820,159	739,299	501,573
Total	<u>\$ 46,699,205</u>	<u>\$ 42,043,336</u>	<u>\$ 38,602,802</u>	<u>\$ 35,746,705</u>

Source: Spokane Airport Finance Dept.

**SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE SOURCES**

	2014		2013		2012		2011		2010		2009
\$	3,244,491	\$	3,559,238	\$	3,933,870	\$	3,969,729	\$	4,024,944	\$	3,471,593
	4,159,964		4,122,312		3,901,831		4,018,940		3,616,318		3,347,171
	7,552,129		7,208,270		6,413,052		6,633,898		6,342,177		6,118,042
	8,617,186		8,380,053		8,317,095		8,410,865		8,523,998		8,309,996
	5,721,871		5,650,426		5,763,073		6,013,364		6,480,728		5,974,672
	2,738,343		2,691,068		2,263,582		2,119,929		2,031,312		1,935,327
	432,246		423,440		576,935		516,388		401,232		927,056
\$	32,466,230	\$	32,034,807	\$	31,169,438	\$	31,683,113	\$	31,420,709	\$	30,083,857

SPOKANE AIRPORT BOARD PRINCIPAL REVENUE PAYERS

Fiscal Year Ended December 31

	2018	2017	2016	2015
Airlines				
Alaska	\$ 3,436,391	\$ 3,144,288	\$ 2,150,004	\$ 2,039,808
American	134,870	762,909	571,598	178,888
US Airways	-	-	-	458,765
Delta	2,870,509	2,621,085	2,713,196	2,366,786
Frontier	18,618	-	-	-
Northwest	-	-	-	-
Southwest	2,621,743	2,417,206	2,158,340	1,867,929
United	1,903,169	1,477,956	971,559	950,827
Horizon	-	-	1,020,064	928,603
Skywest	-	-	-	-
Fed Ex	680,055	707,943	698,059	593,287
UPS	613,079	620,347	577,803	489,145
Total	13,078,434	11,751,734	10,860,622	9,874,038
Rental Cars				
Avis	1,305,629	1,246,053	1,185,806	1,125,126
Budget	1,092,573	919,445	949,582	936,582
Dollar	-	-	-	-
Enterprise	1,866,484	1,631,257	1,492,060	1,399,785
Hertz	2,110,799	1,973,596	1,833,140	1,866,968
National	2,369,617	2,092,655	1,985,038	1,822,921
Thrifty	1,586,494	1,476,213	1,288,883	1,193,541
Total	10,331,596	9,339,219	8,734,509	8,344,923
Parking	13,257,078	11,777,170	10,239,333	9,413,381
Total	\$ 36,667,108	\$ 32,868,123	\$ 29,834,464	\$ 27,632,342

Source: Spokane Airport Finance Dept.

**SPOKANE AIRPORT BOARD
PRINCIPAL REVENUE PAYERS**

2014	2013	2012	2011	2010	2009
\$ 1,807,697	\$ 719,372	\$ 668,526	\$ 562,394	\$ 605,124	\$ 663,586
601,033	625,613	627,818	569,800	659,434	450,639
-	-	-	-	-	-
1,751,495	1,669,190	1,565,516	1,554,431	1,273,941	260,857
353,739	354,415	548,971	491,614	428,817	270,844
-	-	-	-	14,134	511,978
1,687,789	1,821,016	1,952,076	2,149,286	2,220,698	1,767,548
868,638	868,563	933,089	842,011	1,174,456	692,920
778,935	2,038,311	1,927,097	1,831,580	1,880,897	1,414,506
-	-	30,733	44,103	2,055	516,717
562,916	562,044	531,599	520,419	402,933	307,746
438,649	470,928	488,111	475,290	470,151	421,738
8,850,891	9,129,452	9,273,536	9,040,928	9,132,640	7,279,079
1,069,628	1,026,070	1,052,031	1,014,621	935,431	940,039
873,780	868,038	905,528	832,744	783,691	956,974
-	-	376,883	515,593	528,080	496,416
1,073,449	1,144,307	738,914	995,483	836,623	739,739
1,762,453	1,715,856	1,705,194	1,469,630	1,466,030	1,309,490
1,515,865	1,271,840	910,691	1,216,155	1,212,578	1,081,109
1,256,954	1,182,159	723,811	589,672	579,744	594,275
7,552,129	7,208,270	6,413,052	6,633,898	6,342,177	6,118,042
8,617,186	8,380,053	8,317,095	8,410,865	8,523,998	8,309,996
\$ 25,020,206	\$ 24,717,775	\$ 24,003,683	\$ 24,085,691	\$ 23,998,815	\$ 21,707,117

SPOKANE AIRPORT BOARD RATES AND CHARGES

Fiscal Years Ended December 31

	2018	2017	2016	2015
Landing Fees (per each 1,000 lbs.)	2.10	2.07	1.98	1.72
Annual Terminal Rentals (per sq. ft.)				
Ticket Counter	53.71	50.82	48.84	49.92
Office	40.28	38.11	36.63	47.52
Baggage Area	40.28	38.11	36.63	48.96
Annual Cargo Building Rental (per sq. ft.)	10.27	9.72	9.35	9.12
Monthly Gate Parking	450.00	450.00	450.00	425.00
Monthly Jet Bridge	1,803.50	1,750.00	1,800.00	1,700.00

Source: Spokane International Airport Property Management

SPOKANE AIRPORT BOARD RATES AND CHARGES

2014	2013	2012	2011	2010	2009
1.52	1.73	1.79	1.73	1.73	1.50
48.96	46.46	44.16	44.16	44.16	38.35
46.54	44.31	42.12	42.12	42.12	36.67
46.54	44.31	42.12	42.12	42.12	36.67
8.88	8.38	7.97	7.97	7.97	6.93
425.00	425.00	425.00	425.00	425.00	369.88
1,560.00	1,560.00	1,560.00	1,560.00	1,560.00	1,356.22

SPOKANE AIRPORT BOARD

CAPITAL ASSETS AND OTHER AIRPORT INFORMATION

Airport Code:	GEG; SFF	
FAA Category:	Primary commercial service airport, small hub	
Elevation:	2,385 feet above sea level	
Port of Entry:	Federal Inspection Station, U.S. Customs and Border Protection Service for clearing international general aviation, corporate aircraft, and charter flights for entry into the United States.	
About GEG:	Spokane International Airport (GEG) is a 6,140 acre commercial service airport served by six airlines and three air cargo carriers. GEG is jointly owned by Spokane County and the City of Spokane, and is the second busiest airport in the State of Washington in terms of passenger and cargo service.	
About SFF:	Felts Field (SFF) is a 400 acre general reliever airport that is home to 150 based aircraft and approximately 90 tenants and 200 sub-tenants. The airport has a mix of commercial operators including a full-service Fixed Base Operator, avionics services provider, fixed and rotary wing aircraft flight schools, aircraft maintenance training programs, a significant regional medevac operator, and an aircraft powerplant modification firm with a global clientele.	
About the Business Park:	The Airport Business Park is adjacent to Spokane International Airport and has approximately 432 acres available for development across nine development categories. The Business Park is home to the region's post office sorting facility, warehousing, manufacturing, and shipping facilities.	
Location:	GEG is located in Spokane County, the largest metropolitan area in the region and in the eastern half of the state. GEG is located southwest of downtown Spokane and southeast of Airway Heights. SFF is located on the Spokane River with 6,000 feet of river frontage; it has the ability to accommodate water landings. Spokane's location with regard to other major cities is as follows: Seattle is 280 miles west; Portland is 344 miles to the southwest; Boise is 428 miles south; and Vancouver BC (Canada) is 409 miles northwest.	
Terminal:	The GEG terminal building includes three concourse areas, (A, B, and C) with a combined total of 18 gates - 4 ground boarding and 14 with passenger boarding bridges (PBB). The consolidated rental car facility is located at the north end of the terminal building. Two parking structures are connected to the terminal by skywalks.	
Runways:	3-21 GEG	11,002 ft. long, 150 ft. wide
	8-26 GEG	8,199 ft. long, 150 ft. wide
	4L-22R SFF	4,499 ft. long, 150 ft. wide
	4R-22L SFF	2,650 ft. long, 75 ft. wide
Consolidated rental car facility:	Number of companies	9
	Quick turnaround bays	20
Public parking lots:	Parking Garage	2,610 spaces
	Outside Lot	1,734 spaces
	C-Concourse Lot	805 spaces
	Economy	1,845 spaces
	Hourly	83 spaces
	Cell Phone	85 spaces
	Employee	350 spaces

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
NUMBER OF EMPLOYEES BY DEPARTMENT

	Number of Employees by Department									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Department										
Administration	14	14	14	14	13	14	13	12	16	16
IT	3	2	3	3	3	3	2	2	2	2
Engineering	3	3	3	3	2	4	4	3	3	4
Fire	13	13	13	13	14	16	15	18	17	19
Operations	9	7	8	7	5	7	5	6	5	5
Police	12	13	13	12	13	14	15	15	17	16
Dispatch	6	8	7	7	7	8	9	8	7	6
Terminal Maintenance	14	13	13	13	12	12	13	13	12	13
Airfield Maintenance *	30	25	27	25	29	29	24	24	28	26
Airport Business Park	2	1	2	2	2	3	4	3	3	2
Felts Field	1	1	2	1	3	2	2	2	2	2
Fuel Facility	5	4	4	5	4	5	4	5	4	5
Parking **	52	46	46	48	48	46	39	42	38	36
Totals	164	150	155	153	155	163	149	153	154	152

** includes overhires*

*** includes part time employees*

Source: Spokane Airport Finance Dept.

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

Fiscal Years Ended December 31

Fiscal Years Ended December 31		2018		2017	
	Market Share		Market Share		
	2018	%	2017	%	2016
Enplanements					
Alaska	208,897	10.45%	225,502	12.65%	216,295
American	141,296	7.07%	102,320	5.74%	59,316
US Airways	-	-	-	-	-
Delta	445,455	22.28%	415,638	23.32%	386,343
Express Jet	-	-	-	-	-
Frontier	25,022	1.25%	-	-	-
Northwest	-	-	-	-	-
Southwest	463,025	23.16%	422,663	23.71%	381,078
United	256,175	12.82%	188,173	10.56%	106,785
Horizon	455,714	22.80%	424,764	23.83%	458,348
Skywest	-	-	-	-	-
Other	3,365	0.17%	3,393	0.19%	3,878
Total Enplanements	1,998,949	100%	1,782,453	100%	1,612,043
Deplanements					
Alaska	204,235	10.22%	211,515	11.96%	206,048
American	139,015	6.95%	101,726	5.75%	59,307
US Airways	-	-	-	-	-
Delta	442,961	22.16%	415,809	23.51%	394,415
Express Jet	-	-	-	-	-
Frontier	26,631	1.33%	-	-	-
Northwest	-	-	-	-	-
Southwest	460,857	23.05%	421,005	23.81%	380,931
United	257,876	12.90%	186,739	10.56%	106,776
Horizon	464,244	23.22%	428,948	24.26%	470,359
Skywest	-	-	-	-	-
Other	3,504	0.18%	2,717	0.15%	4,216
Total Deplanements	1,999,323	100%	1,768,459	100%	1,622,052
Total Passengers	3,998,272		3,550,912		3,234,095
Air-Freight (2,000 lbs)					
Airpac	44.52		190.66		90.69
Ameriflight	711.28		726.75		619.16
Empire	3,617.53		3,401.30		3,244.85
Fed Ex	41,462.31		40,585.35		39,824.39
UPS	22,359.60		24,568.80		22,230.42
Western Air Express	154.39		59.90		24.71
Total cargo only freight	68,349.63		69,532.76		66,034.22
Passenger carrier freight	2,457.37		2,843.86		1,641.77
Total Freight	70,807.00		72,376.62		67,675.99
Operations					
SIA - Landings and Takeoffs	68,256		63,801		62,439
Felts Field - Landings and Takeoffs	59,236		60,084		54,313

Source: Spokane Airport Finance Dept.

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

2015	2014	2013	2012	2011	2010	2009
220,189	186,333	126,587	114,815	113,721	119,974	158,094
15,933	-	-	-	-	-	-
55,557	64,111	67,596	71,042	75,178	78,140	80,822
364,218	291,517	282,677	270,645	258,160	260,388	72,867
-	-	-	-	-	-	-
545	49,952	57,609	99,260	86,329	72,825	71,050
-	-	-	-	-	6,751	99,990
371,425	365,110	367,239	396,284	460,761	475,338	432,993
104,631	100,033	99,284	120,743	130,371	171,674	91,693
431,215	431,508	457,839	429,053	404,853	406,250	403,553
-	-	-	-	-	-	115,559
2,619	4,662	7,870	1,576	2,471	1,767	1,334
1,566,332	1,493,226	1,466,701	1,503,418	1,531,844	1,593,107	1,527,955
207,997	177,144	129,477	113,941	115,694	123,243	156,364
15,107	-	-	-	-	-	-
56,487	65,744	67,866	71,560	75,388	79,636	81,628
359,394	294,398	280,248	269,613	266,624	258,420	75,777
-	-	-	-	-	-	-
490	50,657	55,801	96,820	84,892	69,341	68,123
-	-	-	-	-	6,550	95,594
371,284	362,178	366,286	395,415	457,915	473,328	432,138
103,780	99,006	98,207	123,274	129,905	170,316	89,899
449,372	439,853	454,931	430,184	407,994	405,795	407,576
-	-	-	-	-	-	118,348
3,099	4,446	7,341	1,439	2,316	1,880	1,679
1,567,010	1,493,426	1,460,157	1,502,246	1,540,728	1,588,509	1,527,126
3,133,342	2,986,652	2,926,858	3,005,664	3,072,572	3,181,616	3,055,081
-	-	-	-	-	-	-
-	78.34	127.75	149.38	116.88	129.23	187.10
556.28	539.77	522.39	464.79	446.69	359.47	407.30
4,301.92	3,648.58	3,892.29	3,710.07	3,851.39	3,858.73	4,284.30
38,045.88	37,996.97	36,538.94	33,178.58	32,186.93	31,884.04	31,089.00
24,509.98	21,632.54	21,313.16	22,878.98	16,725.22	10,266.86	9,633.70
0.32	-	0.20	1.99	9.97	57.66	39.50
67,414.38	63,896.20	62,394.73	60,383.79	53,337.08	46,555.99	45,640.90
1,803.18	1,722.66	1,750.85	989.83	1,102.94	1,183.60	1,270.00
69,217.56	65,618.86	64,145.58	61,373.62	54,440.02	47,739.59	46,910.90
65,032	64,409	65,063	67,131	76,068	79,120	81,397
50,729	54,881	54,293	52,928	59,716	63,496	66,919

SPOKANE AIRPORT BOARD
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED

Program	Application Approved Number	Amount Authorized	Collection Level	Period Beginning Cumulative Collections	Current PFC Revenues
Quarter Ended March 31, 2018					
Passenger Facility Charges	15-10-C-00-GEG	\$ 16,458,882	4.50	\$ 16,458,882	
	17-11-C-00-GEG	16,298,809	4.50	4,104,368	\$ 809,177
				<u>20,563,250</u>	<u>809,177</u>
Quarter Ended June 30, 2018					
Passenger Facility Charges	15-10-C-00-GEG	16,458,882	4.50	16,458,882	
	17-11-C-00-GEG	16,298,809	4.50	4,944,117	1,803,609
				<u>21,402,999</u>	<u>1,803,609</u>
Quarter Ended September 30, 2018					
Passenger Facility Charges	15-10-C-00-GEG	16,458,882	4.50	16,458,882	
	17-11-C-00-GEG	16,298,809	4.50	6,800,921	1,912,222
				<u>23,259,803</u>	<u>1,912,222</u>
Quarter Ended December 31, 2018					
Passenger Facility Charges	15-10-C-00-GEG	16,458,882	4.50	16,458,882	
	17-11-C-00-GEG	16,298,809	4.50	8,779,763	2,861,547
				<u>25,238,645</u>	<u>2,861,547</u>
Year Ended December 31, 2018					
Passenger Facility Charges	15-10-C-00-GEG	\$ 16,458,882	4.50	\$ 16,458,882	
	17-11-C-00-GEG	\$ 16,298,809	4.50	4,104,368	\$ 7,386,555
Cumulative Year Ended 12/31/18				<u>\$ 20,563,250</u>	<u>\$ 7,386,555</u>

Note: This schedule is prepared on an accrual basis

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND USED

Current Interest Earned	Period Ending Cumulative Collections	Remaining Collection Authority	Period Beginning Cumulative Expenditures	Current Expenditure s	Period Ending Cumulative Expenditures	Collections vs. Expenditures
	\$ 16,458,882		\$ 4,289,192	\$ 14,672	\$ 4,303,864	\$ 12,155,018
30,573	4,944,118	11,354,691	1,825,468	91,159	1,916,627	3,027,491
30,573	21,403,000	11,354,691	6,114,660	105,831	6,220,491	15,182,509
	16,458,882		4,303,864	766,122	5,069,986	11,388,896
53,194	6,800,920	9,497,889	1,916,627	1,816,143	3,732,770	3,068,150
53,194	23,259,802	9,497,889	6,220,491	2,582,265	8,802,756	14,457,046
	16,458,882		5,069,986	524,410	5,594,396	10,864,486
66,620	8,779,763	7,519,046	3,732,770	2,322,878	6,055,648	2,724,115
66,620	25,238,645	7,519,046	8,802,756	2,847,288	11,650,044	13,588,601
	16,458,882		5,594,396	883,255	6,477,651	9,981,231
98,736	11,740,046	4,558,763	6,055,648	1,588,895	7,644,543	4,095,503
<u>\$ 98,736</u>	<u>\$ 28,198,928</u>	<u>\$ 4,558,763</u>	<u>\$ 11,650,044</u>	<u>\$2,472,150</u>	<u>\$14,122,194</u>	<u>\$ 14,076,734</u>
	\$ 16,458,882		\$ 4,289,192	\$2,188,459	\$ 6,477,651	\$ 9,981,231
\$249,122	11,740,046	\$ 4,558,763	1,825,468	5,819,075	7,644,543	4,095,503
<u>\$249,122</u>	<u>\$ 28,198,928</u>	<u>\$ 4,558,763</u>	<u>\$ 6,114,660</u>	<u>\$8,007,534</u>	<u>\$14,122,194</u>	<u>\$ 14,076,734</u>

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

<u>Application #</u>	<u>Project #</u>	<u>Description</u>	<u>Authorized</u>	<u>Revenues & Interest</u>	<u>Expenditures</u>
93-01-C-GEG CLOSED					
	01-002	Access control system			349,000
	01-004	Airfield lighting and signage			133,594
	01-006	Airside infrastructure devel- apron construction			55,850
	01-007	Felts Field safety improvements			86,200
	01-008	Loading bridge replacement			3,137,595
	01-009	Perimeter road			69,000
	01-010	Planning studies			43,355
	01-011	Regional gate expansion			1,150,200
	01-012	Runway safety improvements			784,545
	01-013	Safety equipment			296,057
	01-014	Taxiway and apron pavement improvements			966,339
	01-015	Terminal building improvements - ADA compliance			2,211,271
Totals 93-01-C-GEG			\$ 9,283,006	\$ 9,283,006	\$ 9,283,006
94-02-C-GEG CLOSED					
	02-001	Access road improvements			4,451,766
	02-002	Aircraft deicing facility			462,228
Totals 94-02-C-GEG			\$ 4,913,994	\$ 4,913,994	\$ 4,913,994
97-03-C-GEG CLOSED					
	03-001	Airport terminal signage			2,461,443
	03-002	Fire life safety system			54,050
	03-006	Regional terminal concourse expansion and associated apron			21,777,799
	03-007	Taxiway D and H			215,459
	03-008	Taxiway J relocation			168,166
	03-009	Terminal ticketing and baggage expansion			13,498,502
Totals 97-03-C-GEG			\$ 38,175,419	\$ 38,175,419	\$ 38,175,419
04-04-C-GEG CLOSED					
	04-002	Planning studies (master plan)			64,109
	04-004	Safety equipment			22,000
	04-005	Security improvements			129,009
	04-006	Snow removal equipment			48,868
	04-007	Taxiway F construction			210,584
	04-008	Taxiway G construction			1,923,808
	04-009	Terminal capacity improvements			1,247,522
	04-010	Terminal modifications for security improvements			1,034,531
Totals 04-04-C-GEG			\$ 4,680,431	\$ 4,680,431	\$ 4,680,431
05-05-C-GEG CLOSED					
	05-002	Land acquisition			1,542,965
	05-003	Perimeter road construction			1,224,460
	05-004	Planning study			112,470
	05-005	Terminal rotunda and concourse C enhancements			10,334,041
Totals 05-05-C-GEG			\$ 13,213,936	\$ 13,213,936	\$ 13,213,936

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

<u>Application #</u>	<u>Project #</u>	<u>Description</u>	<u>Authorized</u>	<u>Revenues & Interest</u>	<u>Expenditures</u>
06-06-C-GEG CLOSED					
	06-002	Security Upgrade			186,463
	06-003	Acquire SRE Equipment			971,226
	06-004	Planning and Design for Runway 03 Extension			416,577
Totals 06-06-C-GEG			\$ 1,574,266	\$ 1,574,266	\$ 1,574,266
09-07-U-GEG CLOSED					
	06-005 / 07-001	Construction of Runway 03 Extension			31,636,556
Totals 06-06-I & 09-07-U-GEG			\$ 31,636,556	\$ 31,636,556	\$ 31,636,556
10-08-C-00-GEG CLOSED					
	08-001	Master Plan Update			850,000
Totals 10-08-C-GEG			\$ 850,000	\$ 850,000	\$ 850,000
11-09-C-00-GEG CLOSED					
	09-001	Construct Snow Removal Equipment Building			8,765,064
	09-002	Acquire Snow Removal Equipment			5,157,224
	09-003	Acquire Glycol Recovery Equipment			1,335,345
	09-004	PFC Administration			57,331
Totals 10-09-C-GEG			\$ 15,314,964	\$ 15,314,964	\$ 15,314,964
15-10-C-00-GEG					
	10-001	Terminal Area Plan (Planning Study)	1,863,562		1,863,562
	10-002	Airfield Perimeter Security Enhancement	5,000,000		1,020,285
	10-003	Replacement of Flight Information Display (FIDS) and Announcement Systems	3,500,000		419,957
	10-004	Terminal Access Control Enhancements	2,500,000		780,105
	10-006	Glycol Recovery Solution Design	1,500,000		45,388
	10-008	Elevator Replacement	2,059,200		2,059,200
	10-009	PFC Administration Costs	36,120		36,120
Totals 10-10-C-GEG			\$ 16,458,882	\$ 6,224,618	\$ 6,224,617
17-11-C-00-GEG					
	11-001	Airfield Pavement Weather Sensors	1,000,000		780,430
	11-002	Continuous Friction Measurement Vehicle	250,000		44,907
	11-003	Snow Removal Equipment (5 Pieces)	2,835,000		2,835,000
	11-004	Terminal Rehabilitation	7,652,944		1,620,367
	11-005	Replacement of the Programmable Logic Controls of Boarding Bridges	2,571,775		244,575
	11-006	Terminal Renovation and Expansion (TREN) / 30% Design Only	1,890,590		1,292,767
	11-007	PFC Application/Administration Fee	98,500		53,650
Totals 10-11-C-GEG			\$ 16,298,809	\$ 6,871,696	\$ 6,871,696
Total Unliquidated Balance				14,180,376	
			\$152,400,263	\$ 146,919,262	\$132,738,885

Reported on Cash Basis Through 12/31/18

SPOKANE AIRPORT BOARD
RATIO OF OUTSTANDING DEBT BY TYPE

For Fiscal Year ended December 31

	2018	2017	2016	2015
Outstanding Debt				
Revenue Bonds	\$ -	\$ -	\$ 5,593,415	\$ 7,734,200
Junior Lien Revenue Loan	5,042,888	5,497,988	5,952,622	6,406,797
Capital Leases		-	-	-
Total Outstanding Debt	\$ 5,042,888	\$ 5,497,988	\$ 11,546,037	\$ 14,140,997
Enplaned passengers	1,998,949	1,782,453	1,612,043	1,566,332
Outstanding debt per enplaned passenger	\$ 2.52	\$ 3.08	\$ 7.16	\$ 9.03
Operating Revenues	\$ 40,202,868	\$ 36,248,352	\$ 33,095,987	\$ 30,236,523
Ratio of outstanding debt to operating revenue	\$ 0.13	\$ 0.15	\$ 0.35	\$ 0.47
Debt Service Ratios				
Debt Principal	\$ 455,100	\$ 2,594,960	\$ 2,594,960	\$ 3,552,022
Debt interest	14,826	182,682	300,324	391,774
Total Debt Service	\$ 469,926	\$ 2,777,642	\$ 2,895,284	\$ 3,943,796
Enplaned passengers	1,998,949	1,782,453	1,612,043	1,566,332
Debt Service per enplaned passenger	\$ 0.24	\$ 1.56	\$ 1.80	\$ 2.52
Total operating expenses	\$ 26,454,831	\$ 27,270,616	\$ 24,468,440	\$ 22,517,625
Ratio of outstanding debt to total expense	\$ 0.19	\$ 0.20	\$ 0.47	\$ 0.63

Source: Spokane Airport Finance Dept.

**SPOKANE AIRPORT BOARD
RATIO OF OUTSTANDING DEBT BY TYPE**

2014	2013	2012	2011	2010	2009
\$ 10,832,506 6,860,514 -	\$ 13,839,985 6,950,445 -	\$ 16,747,463 7,036,680 -	\$ 19,569,943 7,122,059 35,501	\$ 22,307,442 6,972,108 -	\$ 26,749,491 3,250,000 -
\$ 17,693,020	\$ 20,790,430	\$ 23,784,143	\$ 26,727,503	\$ 29,279,550	\$ 29,999,491
1,493,226 \$ 11.85	1,466,701 \$ 14.17	1,503,418 \$ 15.82	1,531,844 \$ 17.45	1,593,107 \$ 18.38	1,527,955 \$ 19.63
\$ 27,836,397 \$ 0.64	\$ 27,469,804 \$ 0.76	\$ 27,486,021 \$ 0.87	\$ 27,972,422 \$ 0.96	\$ 27,599,583 \$ 1.06	\$ 25,732,252 \$ 1.17
\$ 3,097,411 491,735	\$ 2,993,712 582,921	\$ 2,943,359 675,831	\$ 2,822,014 763,536	\$ 3,373,406 1,198,450	\$ 3,216,325 1,316,724
\$ 3,589,146	\$ 3,576,633	\$ 3,619,190	\$ 3,585,550	\$ 4,571,856	\$ 4,533,049
1,493,226 \$ 2.40	1,466,701 \$ 2.44	1,503,418 \$ 2.41	1,531,844 \$ 2.34	1,593,107 \$ 2.87	1,527,955 \$ 2.97
\$ 21,398,781 \$ 0.83	\$ 22,259,196 \$ 0.93	\$ 19,179,421 \$ 1.24	\$ 19,201,908 \$ 1.39	\$ 18,440,059 \$ 1.59	\$ 16,641,096 \$ 1.80

Debt Limitations

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

Direct and Overlapping debt

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

**SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE SIA AND FELTS FIELD**

Fiscal Year Ended December 31

	2018	2017	2016	2015
Operating Revenue				
Airfield	\$ 6,812,050	\$ 5,970,732	\$ 5,352,771	\$ 4,474,681
Terminal	14,875,342	13,484,639	12,163,996	11,549,505
Buildings	1,551,885	1,494,157	1,404,304	1,420,218
Leased sites	2,028,299	1,888,635	1,795,872	1,755,566
Parking and ground transportation	13,257,078	11,777,170	10,239,333	9,413,381
Other	176,812	164,624	236,161	112,322
Total Operating Revenues	38,701,466	34,779,957	31,192,437	28,725,673
Operating Expenses				
Airfield:	9,672,674	11,004,706	9,986,991	8,281,472
Terminal	5,291,815	5,017,850	5,026,242	4,507,214
Leased buildings and sites	809,402	1,067,317	520,643	1,246,996
Parking and ground transportation	4,629,703	4,384,068	3,634,293	3,014,796
General and administration	5,530,622	5,152,059	4,535,974	4,369,941
Total Operating Expenses	25,934,216	26,626,000	23,704,143	21,420,419
Net Operating Revenue				
Before Depreciation	12,767,250	8,153,957	7,488,294	7,305,254
Depreciation	23,157,113	22,378,727	21,796,223	20,124,411
Operating Income (Loss)	(10,389,863)	(14,224,770)	(14,307,929)	(12,819,157)
Net Operating Revenue				
Before Depreciation	12,767,250	8,153,957	7,488,294	7,305,254
Non-Operating Revenues (Expense)	4,931,152	3,687,545	3,495,937	3,278,878
Revenue Available for Debt Service	\$ 17,698,402	\$ 11,841,502	\$ 10,984,231	\$ 10,584,132
Debt Service 2000 Bonds	-	-	-	-
Debt Service 2001 Bonds	-	-	-	-
Debt Service 2008 Bonds	**	**	2,226,138	2,221,538
Debt Service 2010 Bonds	-	-	-	1,055,750
Total Debt Service	-	-	2,226,138	3,277,288
Coverage	**	**	4.93	3.23
Required coverage	**	**	1.30	1.30

*** Bonds were defeased in 2017*

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

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE SIA AND FELTS FIELD

2014	2013	2012	2011	2010	2009
\$ 3,967,783	\$ 4,330,579	\$ 4,715,829	\$ 4,868,650	\$ 4,815,980	\$ 4,074,866
10,971,883	10,484,004	10,452,201	10,519,971	10,522,276	9,712,524
1,000,159	936,285	965,684	946,806	689,864	638,983
1,679,731	1,615,202	1,345,005	1,504,827	1,408,403	1,287,824
8,617,186	8,380,053	8,317,095	8,410,865	8,523,998	8,309,996
101,609	137,049	88,954	153,996	103,701	172,154
26,338,351	25,883,172	25,884,768	26,405,115	26,064,222	24,196,347
8,946,017	8,952,352	8,041,863	8,433,286	7,366,021	6,810,845
4,361,006	4,343,695	3,962,181	4,060,616	3,624,260	3,863,038
518,389	402,022	681,782	342,703	436,264	220,847
2,551,534	2,820,033	2,153,263	1,932,412	1,529,511	1,338,322
4,359,221	4,523,414	3,724,465	3,789,207	4,888,737	3,806,095
20,736,167	21,041,516	18,563,554	18,558,224	17,844,793	16,039,147
5,602,184	4,841,656	7,321,214	7,846,891	8,219,429	8,157,200
17,751,995	16,357,968	14,534,642	12,837,531	11,100,276	8,686,291
(12,149,811)	(11,516,312)	(7,213,428)	(4,990,640)	(2,880,847)	(529,091)
5,602,184	4,841,656	7,321,214	7,846,891	8,219,429	8,157,200
2,858,229	2,851,164	2,164,035	954,401	1,422,258	1,702,447
\$ 8,460,413	\$ 7,692,820	\$ 9,485,249	\$ 8,801,292	\$ 9,641,687	\$ 9,859,647
-	-	-	-	1,425,625	1,425,625
-	-	-	-	639,280	636,540
2,224,138	2,220,387	2,222,788	2,221,694	2,217,719	2,222,281
1,058,475	1,048,075	1,052,375	1,055,794	-	-
3,282,613	3,268,462	3,275,163	3,277,488	4,282,624	4,284,446
2.58	2.35	2.90	2.69	2.25	2.30
1.30	1.30	1.30	1.30	1.30	1.30

**SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE - AIRPORT BUSINESS PARK**

Fiscal Year Ended December 31

	2018	2017	2016	2015
Operating Revenue				
Buildings	\$ 1,254,629	\$ 1,219,369	\$ 1,533,543	\$ 1,258,204
Leased Sites	241,453	240,177	240,162	242,389
Other	5,320	8,849	129,845	10,257
Total Operating Revenues	1,501,402	1,468,395	1,903,550	1,510,850
Operating Expenses				
General	-	-	-	-
Administrative building	-	-	-	-
Leased buildings and sites	390,715	449,715	595,892	828,682
Operations	129,900	194,901	168,405	268,524
Total Operating Expenses	520,615	644,616	764,297	1,097,206
Net Operating Revenue				
Before Depreciation	980,787	823,779	1,139,253	413,644
Depreciation	515,242	464,478	470,754	430,080
Operating Income (Loss)	465,545	359,301	668,499	(16,436)
Net Operating Revenue				
Before Depreciation	980,787	823,779	1,139,253	413,644
Non-Operating Revenues (Expense)	(23,171)	(68,467)	(74,778)	(69,064)
Revenue Available for Debt Service	\$ 957,616	\$ 755,312	\$ 1,064,475	\$ 344,580
Debt Service 2005 Bonds	**	**	217,434	219,397
Coverage	**	**	4.90	1.57
Required coverage	**	**	1.25	1.25

*** Bonds were redeemed in 2017*

Source: Spokane Airport Finance Dept.

SPOKANE AIRPORT BOARD
PLEDGED REVENUE COVERAGE - AIRPORT BUSINESS PARK

2014	2013	2012	2011	2010	2009
\$ 1,242,930	\$ 1,337,232	\$ 1,358,385	\$ 1,372,183	\$ 1,327,862	\$ 1,248,585
237,144	233,593	232,757	195,124	190,189	277,818
17,972	15,807	10,111	-	17,310	9,502
1,498,046	1,586,632	1,601,253	1,567,307	1,535,361	1,535,905
-	-	-	102,799	124,814	136,796
-	-	-	48	-	59,958
424,278	966,712	346,368	269,286	206,135	171,383
238,336	250,968	269,499	271,551	264,317	233,812
662,614	1,217,680	615,867	643,684	595,266	601,949
835,432	368,952	985,386	923,623	940,095	933,956
424,463	421,069	452,050	486,735	363,105	545,935
410,969	(52,117)	533,336	436,888	576,990	388,021
835,432	368,952	985,386	923,623	940,095	933,956
(82,261)	(87,355)	8,831	(17,362)	(119,875)	(132,093)
\$ 753,171	\$ 281,597	\$ 994,217	\$ 906,261	\$ 820,220	\$ 801,863
220,541	221,429	222,060	222,437	221,826	220,997
3.42	1.27	4.48	4.07	3.70	3.63
1.25	1.25	1.25	1.25	1.25	1.25

SPOKANE AIRPORT BOARD PRINCIPAL EMPLOYERS

For Spokane County

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
92nd Air Refueling Wing, Fairchild Air Force Base	5,935	1	2.61%	4,934	2	2.27%
Providence Health Care	5,425	2	2.39%	3,485	3	1.60%
State of Washington	5,100	3	2.24%	6,719	1	3.09%
Spokane Public Schools	3,568	4	1.57%	3,247	4	1.49%
MultiCare - Inland Northwest Region*	3,110	5	1.37%	2,702	5	1.24%
City of Spokane	2,174	6	0.96%	2,071	7	0.95%
Spokane County	2,124	7	0.93%	2,102	6	0.97%
Kalispel Tribal Economic Authority/Northern Quest	1,882	8	0.83%	1,356	9	0.62%
Central Valley School District	1,614	9	0.71%	1,250	13	0.57%
Wal-Mart Stores	1,431	10	0.63%	1,362	8	0.63%
URM Stores, Inc.	1,384	11	0.61%	1,353	10	0.62%
Eastern Washington University	1,370	12	0.60%	1,099	15	0.50%
Avista Corp	1,303	13	0.57%	950	16	0.44%
Gonzaga University	1,290	14	0.57%	1,111	14	0.51%
Community Colleges of Spokane	1,241	15	0.55%	1,304	11	0.60%
Mead School District	1,185	16	0.52%	1,302	12	0.60%
	<u>40,136</u>		<u>17.65%</u>	<u>36,347</u>		<u>16.69%</u>

Source: Journal of Business January 3, 2019 book of lists

Source: Journal of Business January 1, 2010 book of lists

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

Spokane County, Washington				
Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Annual Average Unemployment Rate
2009	468,235	16,156,388	34,505	9.60%
2010	472,006	16,568,293	35,102	10.40%
2011	473,291	17,289,114	36,530	9.90%
2012	475,372	18,047,842	37,966	9.30%
2013	478,407	18,205,169	38,054	8.40%
2014	482,923	19,315,062	39,996	7.20%
2015	488,899	20,300,583	41,523	6.80%
2016	497,437	21,153,403	42,525	6.30%
2017	506,152	22,251,229	43,962	5.50%
2018	*514,631	n/a	n/a	5.40%

Sources: *Population, Personal Income, Per Capita Personal Income data provided by U.S. Bureau of Economic Analysis*
2018 Population Estimate (as of July 1, 2018) provided by U.S. Census Bureau
Annual Average Unemployment Rate data provided by U.S. Bureau of Labor Statistics
n/a - data is not available

Legend / Footnotes:

1 Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018.

2 Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2017 reflect county population estimates available as of March 2018.

Note-- All dollar estimates are in current dollars (not adjusted for inflation).

Last updated: March 6, 2019-- revised statistics for 1969-2000.



Report on Internal Controls

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 Airports Board (Airport), which comprise the statement of net position as of and for the year ended December 31, 2018, 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 May 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Spokane, Washington
May 20, 2019

2018



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