2022

ANNUAL REPORT

SPOKANE AIRPORT BOARD

Annual Financial Statements

For the years ending

December 31, 2022 & 2021

Prepared By

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Mallorie Powell, Accountant

Spokane, Washington

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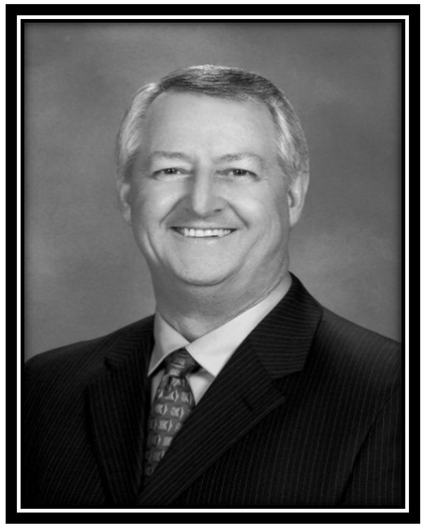
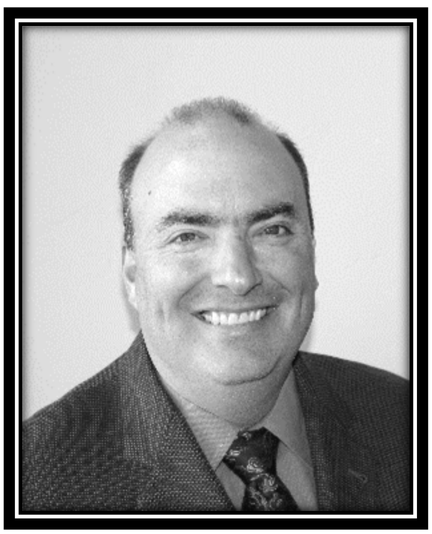
Spokane Airport Board

NANCY VORHEES
CHAIR



AL FRENCH
VICE CHAIR

JENNIFER WEST
SECRETARY



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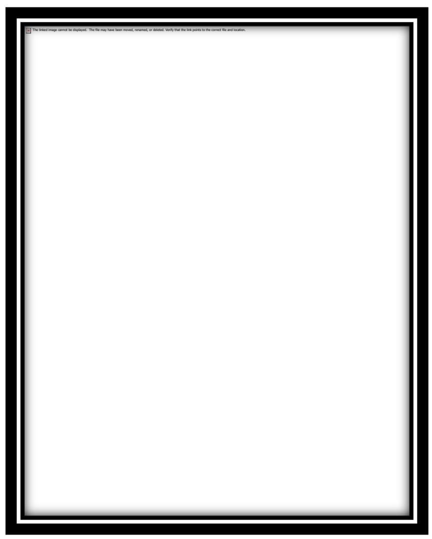

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Financial Section

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Spokane Airport Board

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Spokane Airport Board (Airport), a joint venture of the City of Spokane, Washington, and Spokane County, Washington, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of December 31, 2022 and 2021, and the respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in the notes to the financial statements, the Airport adopted the provisions of GASB Statement No. 87, *Leases*. The financial statements have been retroactively restated for these changes. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Moss Adams LLP

Spokane, Washington
September 15, 2023

The following is a discussion and analysis of the activity and financial performance of Spokane International Airport (SIA), the Airport Business Park (ABP), and Felts Field, collectively operated by Spokane Airport Board and referred to throughout this document as the Airport. It serves as an introduction to, and provides understanding of, the basic financial statements for the year ended December 31, 2022, with selected comparative information from the years ended December 31, 2021, and December 31, 2020.

SIA, ABP, and Felts Field are jointly owned by the City and County of Spokane (the City and County) and operated by the Spokane Airport Board through the *Airport Joint Operation Agreement*. Spokane International Airport serves as the region's commercial service airport and provides domestic scheduled passenger and cargo air service connectivity for the market area that stretches as far as Lewiston, ID to the south and British Columbia and Alberta, Canada to the north. The market area also reaches the foothills of the Cascades to the west and into western Montana to the east. The Airport Business Park is home to several regionally significant facilities such as the Waste-to-Energy plant; Geiger Corrections Facility; Waste Management Recycling Center; U.S. Postal Service Regional Processing and Distribution Center and Amazon Air as well as a number of tenants that include regional banks, small businesses, and other government agencies. Felts Field (SFF) serves as a Federal Aviation Administration (FAA) designated general aviation reliever airport for Spokane International Airport and is the highest-capability general aviation airport in the region, with instrument approaches and a federal contract air traffic control tower.

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

Airport Activities and Highlights

Economic Events:

On November 15, 2021, the Bipartisan Infrastructure Law (BIL) was signed into federal law. BIL had two components of the law that impacted the Airport's funding of capital projects. The first component is the Airport Infrastructure Grant (AIG), which is a formulaic grant program with the annual amount relatively set for the program's duration. The second component is the Airport Terminal Program (ATP), which is a competitive grant program. In years one and two of the AIG program, the Airport was awarded a combined $6.72 million for SIA and Felts Field. The Airport submitted applications under ATP in both years one and two and was awarded $11 million and $15 million, respectively. The Airport will apply for future years of the ATP to help fund the Airport's CIP.

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

On June 22, 2023, the Airport was awarded $22.8 million through the U.S. Department of Transportation's Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program. The funds will be used to relocate Spotted Road and to construct an overpass at the junction of Airport Drive and Spotted Road.

The Airport entered into a grant agreement with the FAA for an award of $25.9 million on July 10, 2023. These funds were awarded through the FAA's AIP program and will help fund the Airport's West Terminal Ramp and Taxilane Expansion project, which is expected to be complete by mid-2024.

Passenger, Operations and Cargo Highlights:

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

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

Summary of Operations	2022	2021	2020
Total Passengers	3,920,972	3,280,062	1,926,159
Cargo (pounds)	157,789,826	159,994,181	147,668,622
SIA - Operations	66,720	65,936	58,725
Felts Field - Operations	69,796	71,732	56,894

Total passenger traffic in 2022 increased nearly 20% compared to 2021 levels as the Airport continued to recover from the Covid-19 pandemic. 2022 operations (takeoffs and landings) increased 1.2% over 2021 as airlines added capacity to respond to increased passenger traffic demand. Felts Field experienced a decrease of 2.7% in operations compared to 2021 levels. Infrastructure improvements at Felts Field made over the past few years continue to attract pilots and aircraft to the field.

Mail and cargo traffic in 2022 decreased slightly compared to 2021. The decrease in 2022 compared to 2021 was due to a decrease in cargo carried by passenger carriers. Traditional cargo carriers increased their tonnage slightly in 2022 over 2021 levels. Prime Air began service in October of 2021 and contributed to the cargo increase in 2022.

Financial Statements

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Government Accounting Standards Board (GASB). GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPA's (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

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

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

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

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

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

The *Statement of Cash Flows* compares the operating results of 2022 to 2021 with the associated inflows and outflows of cash and cash equivalents. A reconciliation is provided within the statement to assist in understanding the effects on cash related to different activities.

Below is a Summary of the Statement of Net Position:

Summary Schedule of Net Position	2022	2021 [1]	2020
Current Assets	$ 92,721,707	$ 75,177,753	$ 42,401,421
Noncurrent Assets			
Other Noncurrent Assets	64,231,447	47,472,004	21,196,847
Capital Assets	286,782,092	275,084,807	274,092,315
Total Assets	443,735,246	397,734,564	337,690,583
Deferred Outflow of Resources	4,249,947	2,557,852	2,651,492
Current Liabilities	20,587,240	16,296,570	6,775,747
Noncurrent Liabilities			
Other Noncurrent Liabilities	6,804,732	7,309,077	9,012,997
Bonds and Other Long-Term Debt	-	-	3,674,748
Total Liabilities	27,391,972	23,605,647	19,463,492
Deferred Inflow of Resources	51,352,527	33,010,506	1,760,362
Net Position			
Net Investment in Capital Assets	283,815,825	271,695,351	267,254,414
Restricted	45,976,965	46,596,906	23,931,569
Unrestricted	39,447,904	25,384,006	27,932,238
Total Net Position	$369,240,694	$343,676,263	$319,118,221

[1] *This year has been restated to reflect the adoption of GASB 87*

Assets:

Current Assets increased in 2022 after an increase in 2021. The change in 2022 was due mainly to increases in the Airport's cash and short-term receivable balances. The increase in 2021 was primarily due to an increase in the Airport's cash balance and grants receivable.

Other Noncurrent Assets increased in 2022 and 2021. The increase was a result of the implementation of *GASB Statement No. 87* (GASB 87). GASB 87 changed the definition of lease receivables which resulted in the Airport recording a long-term lease receivable of $39.7 million in 2022 and $18.8 million in 2021.

Capital Assets increased in 2022 following a slight increase in 2021. The increase in 2022 was related to an increase in construction in process. The increase in 2021 is also related to an increase in construction in process.

Total Assets, combining the changes in the component assets, increased in both 2022 and 2021. The increase in 2022 was due to an increase in current and capital assets. The increase in 2021 is mainly related to the increase in current and other noncurrent assets during the year.

Deferred Outflows increased in 2022 after a decrease in 2021. The changes in each year relate entirely to variances from actuarial assumptions in the Washington State pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Liabilities:

Current liabilities increased in both 2022 and 2021. The increase in both years was due primarily to an increase in all payables due at the year-end, including general and construction amounts payable.

Other noncurrent liabilities decreased in 2022 after a decrease in 2021. The changes are a result of adjustments to the Other Post-Employment Benefits of retired LEOFF Plan 1 fire fighters and the net pension liability related to the Washington State pension liabilities.

Long-term debt did not change in 2022 following a decrease in 2021. At the end of 2022, the Airport had no short or long-term debts after the Airport paid off the Community Economic and Revitalization Board (CERB) loans early in 2021, which eliminated all debt at the Airport.

Total liabilities increased in 2022 and 2021. The increase in both years was due to the increase in current liabilities.

Deferred Inflows increased in 2022 following an increase in 2021. The changes in both years relate primarily to recording a deferred inflow from leases required by GASB 87 and variances from actuarial assumptions in the Washington State pension accounting. Note 1, Significant Accounting Policies, and Note 8, Pension and Benefit Plans, discuss this topic in greater depth.

Net Position:

The Airport's assets and deferred outflows exceed liabilities and deferred inflows at the end of 2022 by $369.2 million, an increase of $25.6 million over the previous year. 2021 showed an increase of $24.5 million over 2020.

The largest portion of the Airport's net position, $283.8 million in 2022, $271.7 million in 2021, and $267.3 million in 2020 represents the net investment in capital assets (e.g., land, buildings, machinery, and equipment less related debt). The increase in the last two years was the result of more investment in capital assets than recorded depreciation expense, resulting in an increase in net investment in capital assets. See the discussion above under the Assets and Liabilities section and Note 5 to the financial statements for additional information on capital asset activity.

An additional portion of the total net position, $46.0 million in 2022, $46.6 million in 2021 and $24.0 million in 2020 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 slight decrease in 2022 was due to variations with balances for PFCs, CFCs, grant receivables and net pension assets. The increase of $22.6 million in 2021 corresponded with an increase in grant receivable from government grantors and net pension assets. The amount of restricted net assets does not affect the availability of other resources for future use.

The portion of total unrestricted net position increased in 2022 following a decrease in 2021. The main reason for the 2022 increase was an increase in current assets. The 2021 decrease is due mainly to a larger decrease in current liabilities than the increase in unrestricted cash. These unrestricted net positions 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, 2022, 2021, and 2020.

Summary of Net Position	2022	2021 [1]	2020
Operating Revenue	$ 49,213,576	$ 40,133,736	$ 31,094,135
Operating Expense	31,424,144	23,326,155	27,230,819
Operating income before depreciation	17,789,432	16,807,581	3,863,316
Depreciation expense	30,959,065	29,517,093	29,276,987
Operating income (loss)	(13,169,633)	(12,709,512)	(25,413,671)
Nonoperating Income (Expense)	16,150,070	22,545,708	18,027,679
Increase (decrease) in Net Position before Capital	2,980,437	9,836,196	(7,385,992)
Capital Contributions and Grants	22,583,994	14,721,846	5,000,305
Increase (decrease) in Net Position	25,564,431	24,558,042	(2,385,687)
Net Position, beginning of year	343,676,263	319,118,221	321,503,908
Net Position, end of year	$ 369,240,694	$ 343,676,263	$ 319,118,221

[1] This year has been restated to reflect the adoption of GASB 87

Total operating revenues in 2022 were $49.2 million, a $9.1 million increase over 2021. This followed a $9.5 million increase in 2021 over 2020. The main reason for the revenue increase over the last two years is the recovery of passenger activity at the airport that drove an increase in several revenue streams.

Total operating expenses prior to depreciation were $31.4 million 2022, an increase of $8.1 million over 2021. In 2021, operating expenses were $23.3 million compared to a total of $27.2 million in 2020, a decrease of $3.9 million. The increase in 2022 is due to the discontinuation of cost savings measures implemented by Airport management during the pandemic while the decrease in 2021 was due to continuation of those same cost savings measures.

Depreciation charges of $31.0 million in 2022 after recording $29.5 million in 2021, both increases over prior years. These increases relate to the amount of infrastructure and equipment additions in 2022, 2021, and years prior that have remaining useful lives and value.

Non-operating income and expense shows a decrease in nonoperating income in 2022 compared to 2021. That is the result of less disposal of assets, which is somewhat offset by an increase in PFC and CFC revenue. The main reason for the increase in 2021 was an increase in PFC and CFC revenue and higher land sales than in 2020.

Capital contributions and capital grants revenue totaled $22.6 million in 2022 after having $14.7 million in 2021, an increase of $7.9 million from 2021. 2021 had a $9.7 million increase over 2020. These fluctuations in revenue are representative of the nature and timing of federal grant funding. The amount of grant revenue can vary greatly from year to year depending on the projects being planned, funded and constructed.

Revenues:

Below in a summary of revenue for the three fiscal years ended December 31, 2022, 2021, and 2020:

Summary of Revenues	2022	2021 [1]	2020
Operating Revenues:			
Airfield	$ 7,310,868	$ 6,708,251	$ 5,616,836
Passenger terminal	17,993,398	16,345,699	12,805,825
Leased buildings	2,674,246	2,612,522	2,698,715
Leased areas	2,596,445	2,272,373	2,594,465
Parking and ground transportation	18,002,014	11,973,477	7,265,642
Other	636,605	221,414	112,652
Total Operating Revenue	49,213,576	40,133,736	31,094,135
Nonoperating Income:			
Interest income	1,858,128	1,758,723	1,225,481
Gain on disposal of assets	1,780,121	6,306,133	1,207,875
Gain on investments	-	-	224,097
Customer facility charges	3,581,911	2,942,792	2,117,572
Passenger facility charges	7,601,519	6,542,294	3,618,624
Other grant revenue	4,575,251	6,379,050	9,822,645
Total Nonoperating Income	19,396,930	23,928,992	18,216,294
Federal AIP and other grants	22,583,994	14,721,846	5,000,305
Total	$91,194,500	$78,784,574	$54,310,734

[1] *This year has been restated to reflect the adoption of GASB 87*

Airfield revenue increased in both 2022 and 2021 over prior years. The increase in 2022 and 2021 relate to the recovery of passenger traffic, which increased the landed weight at SIA as airlines brought back routes and increased frequency of service.

Passenger terminal revenue increased in 2022 and 2021 because of increased passenger activity that was the result of the recovery from the pandemic. The recovery increased terminal revenue, concession revenue at the airport and rental car revenue.

Leased building increased slightly in 2022 after a small decrease in 2021. The increase in 2022 was the result of rate increases implemented throughout 2022 while the 2021 decrease related to the occupancy percentage in non-terminal facilities.

Leased area revenue increased in 2022 following a decrease in 2021. The increase in 2022 is due primarily to an increase in on premise hotel activity and rental car lease areas. The decrease in 2021 was due to variations with on premise hotel activity.

Parking revenue, which includes Ground Transportation fees, increased in 2022 and 2021 as a result of the recovery from the pandemic and the corresponding increase in passenger traffic.

Non-operating revenue decreased in 2022 following an increase in 2021. The main reason for the decrease in 2022 was fewer assets that were disposed of throughout the year. The main driver for 2021 was an increase in both PFC and CFC revenues due to passenger traffic recovery. PFC and CFC revenues are restricted to specific uses and are not used to fund operations. In addition, there were numerous assets disposed of during 2021 that resulted in higher gains on disposed assets than in the previous year.

Also included in non-operating income is interest revenue and other grant revenue. Interest income increased in 2022 while other grant revenue decreased in 2022 over prior year.

Expenses:

Below is a summary of expenses for the three fiscal years ended December 31, 2022, 2021, and 2020:

Summary of Expenses	2022	2021 [1]	2020
Operating Expenses:			
Airfield	$11,507,516	$ 8,626,312	$10,884,364
Passenger terminal	6,110,750	5,002,913	4,846,611
Leased buildings	1,971,285	987,437	1,078,315
Parking and ground transportation	4,745,827	3,485,947	4,414,791
Administration and operations	7,088,766	5,223,546	6,006,738
Total Operating Expense	31,424,144	23,326,155	27,230,819
Depreciation expense	30,959,065	29,517,093	29,276,987
Nonoperating Expense			
Interest expense	-	2,753	37,079
Loss on investments	2,848,374	897,115	-
Other grant expense	398,486	483,416	151,536
Total Nonoperating Expense	3,246,860	1,383,284	188,615
Total	$65,630,069	$54,226,532	$56,696,421

[1] *This year has been restated to reflect the adoption of GASB 87*

Airfield expenses increased in 2022 after a decrease in 2021. The reason for the increase in 2022 was due to the return of airline activity and the elimination of pandemic related cost savings measures. The decrease in 2021 over 2020 was due to cost savings measures, including major maintenance items, implemented during the pandemic.

Passenger Terminal expenses increased in both 2022 and 2021. The increases are attributed to the recovery of passenger traffic and related expenses for maintenance at the terminal.

Leased Buildings expenses increased in 2022 following a decrease in 2021. The increases relate to an increase in general maintenance expense along with demolition of some old structures. The decrease in 2021 is due to a focus on reducing maintenance and operating expenses because of the pandemic.

Parking and Ground Transportation expenses increased in 2022 after a decrease in 2021. The increase in 2022 was due to an increase in deicing and maintenance expenditures. The decrease in 2021 was mainly attributed to staffing levels and closure of the economy lot(s) due to the pandemic.

Administration and operations expenses increased in 2022 and a decrease in 2021. The increase in 2022 was the result of an increase in staffing and marketing expenditures. The reduction in 2021 was the result of staffing levels and other cost savings measures implemented due to the decrease in passenger activity.

Loss on investments in 2022 was due to rising interest rates and declining fair value of short-term securities held in the Spokane Investment Pool. The Pool generally holds investments to maturity so actual realized losses on investments are minimal.

Other financial considerations

The basic financial structure of the Airport facilities has been very consistent over the past 35 years, with the residual based Airline Operating Agreement (AOA) that has been in effect since 1984 and modified periodically. The AOA and airline leases were extended through negotiations with air carriers with minor changes until December 31, 2023.

The Airport is in a strong financial position given the amount of liquidity, no current and long-term debt on the books, and low debt burden per passenger. The Airport operates with sound financial decision-making, a low-cost structure, and a disciplined approach to financing capital needs.

This financial report is designed to provide citizens, customers, bondholders, and tenants with a general overview of the Airport and to demonstrate the Airport's accountability for the funds they receive and expend. For additional information about this report or information about the Airport, please contact Rob Schultz, Chief Financial Officer, 9000 W. Airport Drive, Suite 204, Spokane, WA 99224.

Concrete pour at the new Transload Facility

ASSETS

	December 31, 2022	December 31, 2021 [1]
CURRENT ASSETS		
Unrestricted Current Assets		
Cash	$ 87,003	$ 277,928
Unrestricted cash and short-term investments	58,334,812	45,692,333
Accounts receivable, less allowance for doubtful accounts of 2022 $447,847; 2021 $447,847	3,159,246	2,775,421
Prepaid expenses and other assets	1,143,264	1,134,634
Inventory	458,493	486,247
Short term lease receivable	8,110,425	6,190,671
Total Unrestricted Current Assets	71,293,243	56,557,234
Restricted Current Assets		
Current portion, restricted cash and short-term investments	3,274,961	3,695,898
Receivable from government agencies	18,153,503	14,924,621
Total Restricted Current Assets	21,428,464	18,620,519
Total Current Assets	92,721,707	75,177,753
NONCURRENT ASSETS		
Unrestricted Noncurrent Assets		
Long term lease receivable	39,682,841	18,798,222
Land	20,663,872	20,348,571
Construction in process	45,987,587	33,597,604
Depreciable capital assets, net of accumulated depreciation	220,130,633	221,138,632
Total Unrestricted Noncurrent Assets	326,464,933	293,883,029
Restricted Noncurrent Assets		
Restricted cash and investments, less current portion	20,151,815	18,862,142
Net Pension Asset	4,396,791	9,811,640
Total Restricted Noncurrent Assets	24,548,606	28,673,782
Total Noncurrent Assets	351,013,539	322,556,811
TOTAL ASSETS	443,735,246	397,734,564
DEFERRED OUTFLOW OF RESOURCES	4,249,947	2,557,852
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 447,985,193	$ 400,292,416

[1] *This year has been restated to reflect the adoption of GASB 87*

SPOKANE AIRPORT BOARD
STATEMENTS OF NET POSITION

LIABILITIES

	December 31, 2022	December 31, 2021 [1]
CURRENT LIABILITIES		
Liabilities Payable from Unrestricted Assets		
Construction warrants and retainage payable	$ 301,028	$ 381,151
Vouchers payable and other accrued expenses	16,590,645	11,969,354
Accrued payroll	955,933	855,119
Compensated absences - current portion	74,395	82,641
Total Unrestricted Current Liabilities	17,922,001	13,288,265
Liabilities Payable from Restricted Assets		
Construction warrants and retainage payable	2,665,239	3,008,305
Total Restricted Current Liabilities	2,665,239	3,008,305
Total Current Liabilities	20,587,240	16,296,570
NONCURRENT LIABILITIES		
Deposits	308,696	319,951
Compensated absences	868,103	933,747
Accrued environmental liabilities	2,106,943	2,106,943
Accrued postretirement and termination benefits	2,576,533	3,487,274
Net Pension liabilities	944,457	461,162
Total Noncurrent Liabilities	6,804,732	7,309,077
TOTAL LIABILITIES	27,391,972	23,605,647
DEFERRED INFLOW OF RESOURCES	51,352,527	33,010,506
NET POSITION		
Net Investment in capital assets	283,815,825	271,695,351
Restricted for:		
Passenger Facility Charge	1,492,053	3,584,925
Customer Facility Charge	18,659,657	15,277,217
Cash restricted for retainages and deposits	3,274,961	2,998,503
Receivable from government agencies	18,153,503	14,924,621
Net Pension Asset	4,396,791	9,811,640
Total Restricted Net Assets	45,976,965	46,596,906
Unrestricted	39,447,904	25,384,006
TOTAL NET POSITION	369,240,694	343,676,263
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 447,985,193	$ 400,292,416

	Years Ended December 31, 2022	2021 [1]
Operating revenues:		
Airfield	$ 7,310,868	$ 6,708,251
Passenger terminal	17,993,398	16,345,699
Leased buildings	2,674,246	2,612,522
Leased areas	2,596,445	2,272,373
Parking and ground transportation	18,002,014	11,973,477
Other	636,605	221,414
Total Operating Revenue	49,213,576	40,133,736
Operating expenses:		
Airfield:		
General	6,547,728	4,711,141
Fire department	2,264,659	1,773,313
Police department	2,695,129	2,141,858
Passenger terminal	6,110,750	5,002,913
Leased buildings	1,971,285	987,437
Parking and ground transportation	4,745,827	3,485,947
Administration and operations	7,088,766	5,223,546
Total Operating Expense	31,424,144	23,326,155
Operating income before depreciation	17,789,432	16,807,581
Depreciation	30,959,065	29,517,093
Operating income (loss)	(13,169,633)	(12,709,512)

[1] *This year has been restated to reflect the adoption of GASB 87*

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

	Year Ended December 31, 2022	2021 [1]
Nonoperating revenues (expenses):		
Interest income	$ 1,858,128	$ 1,758,723
Interest expense, including amortization of bond premiums	-	(2,753)
Gain (loss) on disposition of assets	1,780,121	6,306,133
Gain (loss) on investments	(2,848,374)	(897,115)
CARES grant revenue	4,176,765	5,895,634
Grant revenue	398,486	483,416
Grant expense	(398,486)	(483,416)
Customer facility charges	3,581,911	2,942,792
Passenger facility charges	7,601,519	6,542,294
Total Nonoperating revenue (expenses)	16,150,070	22,545,708
Increase (decrease) in net assets before capital grants and related items	2,980,437	9,836,196
Capital contributions		
Federal AIP and other grants	22,583,994	14,721,846
Total Grants	22,583,994	14,721,846
Increase (decrease) in Net Position	25,564,431	24,558,042
Net Position, beginning of year	343,676,263	319,118,221
Net Position, beginning of year - restated	343,676,263	319,118,221
Net Position, end of year	$ 369,240,694	$ 343,676,263

	Year Ended December 31, 2022	2021 [1]
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from airfield operations	$ 6,865,591	$ 6,372,236
Cash received from passenger terminal	17,702,022	11,669,635
Cash received from building leases	2,674,246	1,865,150
Cash received from area leases	2,596,445	1,622,308
Cash received from parking	18,002,014	11,973,477
Other operating cash received	636,607	221,414
Cash paid for airfield operations	(6,743,276)	(3,570,117)
Cash paid to airfield employees	(5,609,269)	(3,553,531)
Cash paid for passenger terminal	(5,276,041)	(4,194,536)
Cash paid to passenger terminal employees	(828,481)	(531,000)
Cash paid for leased building operations	(1,971,285)	(987,437)
Cash paid for parking operations	(4,037,548)	(2,660,362)
Cash paid to parking operations employees	(732,395)	(607,995)
Cash paid for administration and operations	(518,774)	5,852,821
Cash paid to administration and operations employees	(1,915,404)	(1,248,448)
Net cash provided (used) by operating activities	20,844,452	22,223,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	4,575,251	6,379,050
Operating grant expenses	(398,486)	(483,416)
Net cash provided by noncapital financing activities	4,176,765	5,895,634
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state grant proceeds	19,355,112	(52,500)
Acquisition and construction of capital assets	(43,099,635)	(30,652,971)
Principal payments on debt	-	(4,131,272)
Proceeds from short term debt	-	-
Proceeds from sale of capital assets	1,800,215	7,132,346
Interest paid on debt	-	(8,915)
Transaction fees collected	3,581,911	2,942,792
Passenger facility charges collected	7,651,716	6,906,463
Net cash provided (used) by capital and related financing activities	(10,710,681)	(17,864,057)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	(990,246)	861,608
Net cash provided by investing activities	(990,246)	861,608
NET CHANGE IN CASH	13,320,290	11,116,800
Cash, beginning of year	68,528,301	57,411,501
Cash, end of year	$ 81,848,591	$ 68,528,301

[1] *This year has been restated to reflect the adoption of GASB 87*

SPOKANE AIRPORT BOARD
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
OPERATING INCOME (LOSS)	$ (13,169,633)	$ (12,709,512)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	30,959,067	29,517,093
Changes in assets and liabilities:		
Accounts receivable	(434,022)	(364,091)
Lease receivable	(22,804,373)	(24,988,893)
Prepaid expenses and other assets	(8,630)	(248,688)
Inventory	27,754	(159,911)
Vouchers payable and other accrued expenses	4,621,291	9,278,225
Accrued payroll	100,814	16,823
Accrued vacation and sick pay	(73,890)	43,765
Increase (decrease) in net pension liability, leases, and related deferred outflows and inflows of resources	22,548,070	21,802,574
Other	(921,996)	36,230
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 20,844,452	$ 22,223,615
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
NONCASH CAPITAL ACTIVITIES		
Acquisition of construction and capital assets, recorded but not paid at year end	2,966,267	3,389,456
TOTAL NONCASH ITEMS	$ 2,966,267	$ 3,389,456
RECONCILIATION OF CASH		
Cash	$ 87,003	$ 277,928
Unrestricted short-term cash investments	58,334,812	45,692,333
Restricted cash and short-term investments, current and noncurrent	23,426,776	22,558,040
CASH AS PRESENTED IN STATEMENTS OF CASH FLOWS	$ 81,848,591	$ 68,528,301

Note 1 – Significant Accounting Policies

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

Organization:

The accompanying financial statements include the operations of the Spokane International Airport (SIA), the Airport Business Park (ABP), and Felts Field Airport (FF). Spokane International Airport serves the predominant air travel needs of eastern Washington and northern Idaho. There are no other entities for which the Airport is financially accountable. The Airport is a municipal airport operating under RCW 14.08 and is jointly owned by the City of Spokane and Spokane County under a joint operating agreement. This agreement was last modified in 2018.

The agreement provides for the joint operation of the Airport through a separate seven-member Board. The Board consists of one elected County official, one elected City official, two members appointed by the County, two members appointed by the City, and one member appointed jointly. The annual budget for the Airport is approved by both the City of Spokane and Spokane County. In addition, both the City of Spokane and Spokane County must approve any bond issues or other debts that extend beyond one year. In the event the Airport is unable to make debt payments when due, the City of Spokane and Spokane County are responsible to pay any deficit through a 50/50 split. The agreement also provides that either party may terminate the agreement with certain advance notice. If an agreement can't be reached as to which entity will succeed in operating the Airports, the terminating municipality is responsible to make a payment to the other to compensate them for their share of the difference between the assets and liabilities.

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

Measurement focus and basis of accounting:

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

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

Use of estimates:

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

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.

Note 1 – Significant Accounting Policies (Continued)

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/Inflows 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 assets 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 assets 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 experiences, 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 Statement No. 68 *Accounting and Financial Reporting for Pensions*. Additional items are determined annually based on each subsequent year's variances from actuarial assumptions.

In 2022, the Airport adopted GASB Statement No. 87, *Leases* (GASB 87). GASB 87 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 GASB 87, a lessor is required to recognize, for each lease, a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the term of the lease. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relates to future periods. Interest revenue is recognized on the lease receivable and inflow of resources (revenue) is recognized from the deferred inflows of resources in a systematic and rational manner over the term of the lease. Lessors do not derecognize the asset underlying the lease.

Airline rates and charges:

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

Concentration of operating revenue:

The operation of the Airport is dependent upon the utilization of their facilities by air carriers and major airlines. Airlines have signed operating agreements (Note 7) with the Airport for terminal rentals and landing fees and for the maintenance of net revenues. Revenues from airlines amounted to approximately 27% and 26% of operating revenue for the years ended December 31, 2022, and 2021, respectively. Rental car revenue was 21% and 21% of operating revenue for the years ended December 31, 2022, and 2021, respectively. Parking garage revenues for the years ended December 31, 2022 and 2021, approximated 37% and 30% 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.

Note 1 – Significant Accounting Policies (Continued)

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 November 1, 2022, through February 1, 2034. 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 $253,152,931 has been approved for collection and $253,152,931 has been approved for use, of which $172,793,948 has been received through December 31, 2022. At December 31, 2022, Spokane International Airport had total cumulative expenditures of $167,075,702. PFC revenues, including interest earnings, are restricted for capital projects approved by the FAA.

Customer Facility Charges:

The Airport collects a CFC of $3.75 per day from rental car transactions. The customer facility charge (CFC) revenue is used to fund rental car facilities capital improvement projects. CFC revenues received from the rental car companies are recorded as non-operating income in the statements 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 statements of cash flows, the Airport considers all highly liquid investments (including unrestricted and restricted short-term investments) to be cash equivalents. See Note 2 for a discussion of the nature of restricted short-term investments.

Short-term investments:

The Airport invests the majority of its funds with Spokane County's investment pool for Spokane County government agencies. It is the policy of Spokane County to invest public funds in accordance with governing statutes and in a manner which will provide the best investment return. Investments are made by designated personnel in accordance with the Spokane County Treasurer's Investment Policy. County policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis. Investments are recorded at fair value. Information regarding the types of investments that the County can purchase are found in RCW 36.29.020.
Investments are recorded at net asset value in accordance with generally accepted accounting principles. Accordingly, the change in net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

Accounts receivable and allowance for doubtful accounts:

Accounts receivable are recorded for invoices issued to customers in accordance with the Airport's contractual arrangements. The allowance for doubtful accounts is based on specific identification of troubled accounts and by using historical experience applied to an aging of accounts. Accounts Receivables 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.

Note 1 – Significant Accounting Policies (Continued)

Capital assets:

Capital assets with an acquisition cost in excess of $7,500 at the acquisition date and having an expected useful life of one or more years are capitalized and depreciated. Repair and maintenance costs are expensed as incurred. Replacements and major improvements of capital assets are capitalized at cost. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any resulting gain or loss is reflected in the Statements 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 Statements of Revenues, Expenses, and Changes in Net Position include depreciation of all depreciable property, facility, and equipment and total gains or losses upon the disposal thereof.

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

The Airport's estimated useful lives of depreciable property, facility and equipment at December 31, 2022 and 2021 were the following:

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

Pensions:

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

Compensated absences:

Accumulated vacation and sick leave are accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future. Employees of the Airport are granted vacation and sick leave depending on their length of employment, or through the terms of employment agreement and collective bargaining agreements. Compensated absences are accrued when earned and are reported as a liability.

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 in 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 1,040 hours.

Note 1 – Significant Accounting Policies (Continued)

Firefighters

Firefighters may accrue up to 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 at separation to the employee or employee's estate, only when separation is due to death of LEOFF II retirement of the employee. Employees accepting Early Retirement Incentive, and all other qualified employees, are paid up to a maximum of 1,231 hours. All existing employees who do not qualify for Early Retirement Incentive or employees that are hired after July 1, 2016, are paid up to a maximum of 957 hours.

Police Officers

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

Part Time Employees

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

Net Position:

Net position has been classified on the statements of net position into the following components:

Invested in capital assets: - Capital assets are shown net of accumulated depreciation, deferred inflows/outflows 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 inflows of resources related to those assets that have third party restrictions placed on them.

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

Policy regarding use of restricted vs. unrestricted resources:

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

Accounting Standards Issued but Not Yet Adopted:

GASB Statement No. 94 (GASB 94) – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* was issued in March 2020. This standard addresses issues related to public-private and public-public partnership (PPP) arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The standard is effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96 (GASB 96) – *Subscription Based Information Technology Arrangements* was issued May 2020. This standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The standard is effective for fiscal years ending after June 15, 2022. The Airport is currently evaluating the impact this standard will have on the financial statements.

Note 1 – Significant Accounting Policies (Continued)

GASB Statement No. 99 (GASB) – *Omnibus* was issued April 2022. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective in stages starting with periods beginning after June 15, 2022. The Airport is currently evaluating the impact this standard will have on the financial statements.

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

Restatement of Net Position

In connection with the Airport implementing GASB Statement No. 87 (GASB 87), *Leases* the Airport early adopted GASB Statement No. 100 (GASB 100) – *Accounting changes and error correction-an amendment of GASB 62.* The Statement enhanced accounting and financial reporting for changes in accounting principles and changes in accounting estimates that result from a change in measurement methodology, and error corrections.

As a result of implementing GASB 87, the beginning Net Position of January 2021 was restated, resulting in an increase of $299,137. The GASB 87 standard applies a new definition to leases and requires the Airport record long term lease receivables and deferred outflows of resources for leases that had previously been classified as operating leases. The following schedule summarizes the effect of the implementation of GASB No. 87 on the Statement of Net Position.

Note 1 – Significant Accounting Policies (Continued)

Summary of Changes in Net Position	As Previously Reported January 1, 2021	Cumulative Effect of Change	Restated January 1, 2021
Current Assets	$ 68,987,082	6,190,671	$ 75,177,753
Noncurrent Assets			
Long term lease receivable	-	18,798,222	18,798,222
Other Noncurrent Assets	28,673,782	-	28,673,782
Capital Assets	275,084,807	-	275,084,807
Total Assets	$ 372,745,671	$ 24,988,893	$ 397,734,564
Deferred Inflow of Resources - Leases	-	24,689,756	24,689,756
Deferred Inflow of Resources - OPEB	830,584	-	830,584
Deferred Inflow of Resources - Pensions	7,490,166	-	7,490,166
Total Deferred of Resources	$ 8,320,750	$ 24,689,756	$ 33,010,506
Net Position			
Net Investment in Capital Assets,	271,695,351	-	271,695,351
Restricted	46,597,582	(676)	46,596,906
Unrestricted	25,084,193	299,813	25,384,006
Total Net Position	$ 343,377,126	$ 299,137	$ 343,676,263

Summary of Revenues & Expenses	As Previously Reported January 1, 2021	Cumulative Effect of Change	Restated January 1, 2021
Operating Revenue	$ 40,625,416	(491,680)	$ 40,133,736
Nonoperating Income (Expense)	21,754,891	790,817	22,545,708
Cumulative effect of adoption of GASB 87	-	299,137	299,137

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.

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

In 2010, the PDPC adopted Resolution 2010-1 requiring all public depositories to take measured and orderly steps to shift their public depositors' funds from accounts insured through the FDIC Transaction Account Guarantee (TAG) Program to other insured or collateralized accounts.

The majority of the Airport's cash and investments are invested in the Spokane County Treasurer's Office administered investment pool for Spokane County government agencies. The Spokane County Investment Pool (SCIP) is not SEC registered and there is no credit rating of the SCIP. Investments in the pool are in the custody of the Spokane County Treasurer under the policy guidance of the Spokane County Finance Committee. There are no withdrawal or redemption restrictions placed on the Airport. Investments in the Pool principally consist of investments in the Washington State Local Government Investment Pool, US government agency securities, commercial bank certificates of deposit, and Spokane County Bonds. The Airport, as a joint venture of the City of Spokane and Spokane County, is limited by City and County state statues as to the types of investments it may invest in. For a more detailed list of the types of investments allowed under Washington State law contact the Spokane County Treasurer's Office at www.spokanecounty.org or see RCW 36.29-020.

Investments:

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

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

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

The State of Washington Local Government Investment Pool is the only government-sponsored pool approved for investment of funds. On December 31, 2022, and 2021, the Airport had the following cash and investments. Cash and investments are classified on the statements of net position as follows:

	2022	2021
Cash	$ 87,003	$ 277,928
Unrestricted short-term investments	58,334,812	45,692,333
Restricted short-term investments, current portion	3,274,961	3,695,898
Restricted short-term investments, noncurrent	20,151,815	18,862,142
TOTAL	$ 81,848,591	$ 68,528,301

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

As of December 31, 2022 and 2021, the Spokane Airport has the following cash and investments:

	2022	2021
Petty Cash	$ 3,065	$ 3,065
Cash in bank	83,938	274,863
Funds invested in the Spokane County Investment Pool	81,761,588	68,250,373
TOTAL	$ 81,848,591	$ 68,528,301

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 1.57 and 1.52 years on December 31, 2022 and 2021, respectively.

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

Custodial risk:

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

Concentration risk:

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

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

	2022	2021
Freddie Mac	-	5%
LGIP (State)	12%	14%
Federal Home Loan Bank (FHLB)	8%	-
Federal Nat'l Mortgage Assoc (FNMA)	5%	-
United State Treasury Notes	37%	38%
Federal Farm Credit Bank (FFCB)	11%	6%
Inter-American Development Bank (IADB)	9%	11%

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, 2022, and 2021:

	2022	2021
Washington State Local Government Investment Pool	12%	14%
Federal agency securities	29%	19%
Miscellaneous investments	1%	0%
Supranationals	16%	19%
Corporate paper	6%	8%
Commercial paper	1%	-
Treasury Securities	37%	40%
	100%	100%

Cash balances:

The carrying value of the Airport's deposits with financial institutions as of December 31, 2022 and 2021, were $83,938 and $274,863 and the bank balances were $83,938 and $274,863 respectively. The bank balance is categorized as follows:

	2022	2021
Amount insured by FDIC	$ 250,000	$ 250,000
Total Bank Balance	$ 83,938	$ 274,863

Restricted cash and short-term investments:

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

	2022	2021
Collected passenger facility charges, restricted for approved projects	$ 1,492,053	$ 3,584,925
Collected transaction fee, restricted for approved projects	18,659,762	15,277,217
Current portion of restricted short term investments	2,966,266	3,375,947
Refurbishment and fuel deposits	308,695	319,951
Total Restricted Cash and Short-Term Investments	$ 23,426,776	$ 22,558,040

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 $23,930,363 in 2022 and $6,326,549 in 2021. 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:

	2022	2021
Government receivable, beginning of year	$ 14,924,621	$ 150,275
Funds expended	27,159,245	21,100,895
	42,083,866	21,251,170
Less cash received	(23,930,363)	(6,326,549)
Government receivable, end of year	$ 18,153,503	$ 14,924,621

Note 4 - Inventory

At the end of 2022 and 2021, 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, 2022, and 2021, was $458,493 and $486,247, respectively.

Note 5 - Change in Capital Assets

A summary of changes in capital assets for the years ended December 31, 2022, and 2021, is as follows:

	Beginning Balance January 1, 2022	Additions	Deletions	Transfers	Ending Balance December 31, 2022
Nondepreciable Assets					
Land	$ 20,348,571	$ 330,992	$ (15,691)	$ -	$ 20,663,872
Construction in progress	33,597,604	40,604,284	-	(28,214,301)	45,987,587
Total Nondepreciable Assets	53,946,175	40,935,276	(15,691)	(28,214,301)	66,651,459
Depreciable					
Land improvements	273,545,431	-	(133,019)	14,295,816	287,708,228
Buildings	199,269,339	1,000,000	(531,027)	4,622,309	204,360,621
Equipment	73,409,772	741,170	(258,158)	8,858,858	82,751,642
Water and sewer facilities	4,573,619	-	-	437,318	5,010,937
Total Depreciable Assets	550,798,161	1,741,170	(922,204)	28,214,301	579,831,428
Less accumulated depreciation for:					
Land improvements	154,135,171	16,315,197	(128,617)	-	170,321,751
Buildings	119,555,377	7,267,079	(531,026)	-	126,291,430
Equipment	54,193,963	7,129,564	(258,156)	-	61,065,371
Water and sewer facilities	1,775,018	247,225	-	-	2,022,243
Total Accumulated Depreciation	329,659,529	30,959,065	(917,799)	-	359,700,795
Total Depreciable Capital Assets - net	221,138,632	(29,217,895)	(4,405)	28,214,301	220,130,633
Total Capital Assets - net	$ 275,084,807	$ 11,717,381	$ (20,096)	$ -	$ 286,782,092

Note 5 – Change in Capital Assets (Continued)

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

Future Upper C Concourse Expansion

Note 6 – Long-Term Liabilities

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

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

	Balance at December 31, 2021	Increase	Decrease	Balance at December 31, 2022
Deposits	$ 319,951	$ -	$ (11,255)	$ 308,696
Accrued environmental liabilities	2,106,943	-	-	2,106,943
Accrued postretirement benefits	3,487,274	-	(910,741)	2,576,533
Pension liability	461,162	483,295	-	944,457
Compensated absences	933,747	-	(65,644)	868,103
	$ 7,309,077	$ 483,295	$ (987,640)	$ 6,804,732

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

The estimated current portion of compensated absences for 2022 and 2021 was $74,395 and $82,641, respectively.

Note 7 – Operating Leases

The Airport, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for regulated leases and short-term leases. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. As lessor, the asset underlying the lease is not unrecognized. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

The Airport leases certain assets to various third parties. The assets leased include building facilities, land, office space, terminal space for concessions, rental car facilities, and others. Payments for a majority of the leases are received monthly, and the revenue varies based on the nature of the lease. A majority of the leases are a fixed monthly fee and often contain annual or periodic escalation clauses. For some leases for which the business conducts sales, the monthly fee is a percentage of gross revenue and varies each month. For these sales-based leases, there are often minimum annual guarantees (MAGs) contained in the lease that provide a certain amount of revenue regardless of the operation's success. Lease terms vary from month to month to over 20 years. The majority of the leases carry a term of greater than 5 years.

The Airport has considered the following to assist in determining lease treatment according to the requirements of GASB Statement No. 87 (GASB 87):

The maximum possible lease term(s) is noncancelable by both lessee and lessor and is more than 12 months.

The term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information regarding the likelihood of renewal. The term of the lease will exclude possible termination periods that are not deemed to be reasonably certain, given all available information, regarding the likelihood of exercise.

Note 7 – Operating Leases (Continued)

For the years ended December 31, 2022, and 2021, all leases with associated receivables are based on fixed payments and do not have variable payment components included in the receivable.

The Airport's leases have been categorized as follows:

- Leases subject to GASB No. 87 – Non-Regulated Leases
- Leases not subject to GASB No. 87 – Regulated Leases and Short-Term Leases

Leases Subject to GASB 87

During the years ended December 31, 2022 and 2021, the Airport recognized the following related to its lessor agreements:

	2022	2021
Interest income related to leases	$ 796,816	$ 790,817

Real Estate – Buildings and Land

The Airport leases buildings and land located outside of the terminal for terms that range from 3 to 50 years. The terms of the real estate leases include a fixed revenue component based on square footage. The Airport received fixed real estate revenue of $2,860,264 and $2,911,793 for the fiscal years ending December 31, 2022 and 2021, respectively. The terms of these lease agreements do not include a variable revenue component.

Concessions

The Airport has various concession leases for terms that range from 5 to 15 years. The terms of the concession lease agreements include a fixed revenue component or Minimum Annual Guarantee (MAG). The terms of the concession lease agreements include a variable revenue component based on a percentage of gross sales. The variable revenue received was not included in the measurement of the lease receivable. The following table shows revenues received under concession leases on December 31, 2022 and 2021.

	2022	2021
Concession revenue	$ 9,366,958	$ 7,957,935
Minimum Annal Guarantee (MAG)	(5,819,541)	(5,829,841)
Excess over MAG	$ 3,547,417	$ 2,128,094

During the years ended December 31, 2022 and 2021, the Airport recognized the following related to its lessor agreements:

	2022	2021
Lease revenue subject to GASB 87	$ 7,775,405	$ 7,477,644
Interest income related to leases	796,816	790,817
Total lease revenue subject to GASB87	$ 8,572,221	$ 8,268,461

Note 7 – Operating Leases (Continued)

Future principal and interest payment requirements related to the Airport's lease receivable at December 31, 2022 are as follows:

Years Ending	Principle	Interest	Total
2023	$ 8,110,425	$ 1,268,027	$ 9,378,452
2024	7,250,816	1,056,367	8,307,183
2025	7,093,840	856,078	7,949,918
2026	7,052,855	658,308	7,711,163
2027	5,576,553	463,020	6,039,573
2028-2032	2,281,630	2,090,149	4,371,779
2033-2037	2,023,218	1,763,566	3,786,784
2038-2042	2,062,068	1,429,417	3,491,485
2043-2047	2,067,509	955,693	3,023,202
2048-2052	1,868,264	672,679	2,540,943
2053-2057	1,199,289	427,090	1,626,379
2058-2062	541,442	287,181	828,623
2063-2067	563,518	55,645	619,163
2068-2072	101,839	1,354	103,193
	$ 47,793,266	$ 11,984,575	$ 59,777,840

Leases not Subject to GASB 87

Excluded - Regulated Leases

The Airport is party to certain regulated leases, as defined by GASB Statement No. 87. Regulated leases are classified as leases that are subject to external laws, regulations, or legal rulings, such as requirements from the U.S. Department of Transportation and the Federal Aviation Administration. The leased assets include aircraft facilitates, cargo facilities and ramps, building facilities, and land that the lessees use for fixed-base operations (FBO) and hangars. These leases are regulated by the U.S. Department of Transportation and the Federal Aviation Administration. Certain of these assets are subject to preferential use by counterparties to these agreements.

The Airport has nineteen terminal gates of which the following airlines have preferential use of sixteen of those gates:

Airline	2022	2021
Alaska	7	7
American	2	2
Delta	4	4
Southwest	2	2
United	2	2

During the years ended December 31, 2022 and 2021, the Airport recognized the following revenue from regulated leases:

	2022	2021
Regulated lease revenue	$ 2,513,086	$ 2,483,413

Note 7 – Operating Leases (Continued)

Future expected minimum payments related to the Airport's regulated leases at December 31, 2022 are as follows:

Year	Amount
2023	$ 2,012,928
2024	1,938,165
2025	1,635,450
2026	1,635,450
2027	1,538,757
2028-2032	6,010,087
2033-2037	6,010,087
2038-2042	5,463,925
2043-2047	5,041,884
2048-2052	3,791,304
Thereafter	$ 4,730,316

Excluded - Short-Term Leases

In accordance with GASB Statement No. 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are classified as leases containing a lease term of twelve (12) months or less. The term of the lease includes all options to extend, regardless of their probability of being exercised. For short term lease payments, the Airport recognizes these as inflows of resources based on the Agreement.

Lease arrangements with the Airport as the Lessee

The Airport does not have any long-term leases where the Airport is the lessee.

Note 8 - Pension and Benefit Plans

Pensions:

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

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 2022 and 2021:

Aggregate Pension Amounts - All Plans		
	2022	2021
Pension liabilities	$ (944,457)	$ (461,162)
Pension assets	4,396,792	9,811,640
Deferred outflows of resources	2,792,695	955,212
Deferred inflows of resources	(2,678,653)	(7,490,167)
Pension expense/expenditures	71,890	(1,996,016)

State Sponsored Pension Plans:

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

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

Note 8 – Pension and Benefit Plans (Continued)

Contributions:

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 and 2021 were as follows:

PERS Plan 1	2022	2022		2021	2021
Actual Contribution Rates	**Employer**	**Employee**		**Employer**	**Employee**
Jan – Aug 2022			Jan – Jun 2021		
PERS Plan 1	6.36%	6.00%	PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	3.71%		PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**	**Total**	**12.97%**	**6.00%**
Sep – Dec 2022			Jul – Dec 2021		
PERS Plan 1	6.36%	6.00%	PERS Plan 1	10.07%	6.00%
PERS Plan 1 UAAL	3.85%		PERS Plan 1 UAAL		
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**	**Total**	**10.25%**	**6.00%**

The Spokane Airport Board's actual contributions to the plan were $221,848 and $230,504 for the years ended December 31, 2022 and 2021, 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.

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 2022 and 2021 are as follows:

PERS Plan 2/3	2022	2022		2021	2021
Actual Contribution Rates	**Employer 2/3**	**Employee 2/3**		**Employer 2/3**	**Employee 2/3**
Jan – Aug 2022			Jan – Aug 2021		
PERS Plan 2/3	6.36%	6.36%	PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	3.71%		PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		Varies	Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**	**Total**	**12.97%**	**7.90%**
Sep – Dec 2022			Sep – Dec 2021		
PERS Plan 2/3	6.36%	6.36%	PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%		PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		Varies	Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**	**Total**	**10.25%**	**6.36%**

The Spokane Airport Board's actual contributions to the plan were $375,445 and $383,769 for the years ended December 31, 2022 and 2021, 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 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

Note 8 – Pension and Benefit Plans (Continued)

Plan Description and Benefits:

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

Contributions:

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% as of July 1, 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 and 2021 were as follows:

LEOFF Plan 2	2022	2022		2021	2021
Actual Contribution Rates	**Employer**	**Employee**		**Employer**	**Employee**
Jan – Dec 2022			Jan – Jun 2021		
State and local governments	5.12%	8.53%	State and local governments	5.15%	8.59%
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	**5.30%**	**8.53%**	**Total**	**5.43%**	**8.59%**
			Jul – Dec 2021		
			State and local governments	5.12%	8.53%
			Administrative Fee	.18%	
			Total	**5.30%**	**8.53%**

The Spokane Airport Board's actual contributions to the plan were $136,821 and $130,522 for the years ended December 31, 2022 and 2021, 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, 2022, the state contributed $81,388,085 to LEOFF Plan 2. SIA's portion of the state contribution is $88,630.

Actuarial Assumptions:

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Note 8 – Pension and Benefit Plans (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age normal cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

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

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and -Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and LEOFF Plane 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF Plan 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study

Discount Rate:

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Note 8 – Pension and Benefit Plans (Continued)

Estimated Rates of Return by Asset Class:

The table below summarizes 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, 2022. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of NPL:

The table below presents the Spokane Airport Board's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 1,261,782	$ 944,457	$ 667,507
PERS 2/3	1,927,804	(1,637,019)	(4,565,746)
LEOFF 1	(828,086)	(944,921)	(1,046,250)
LEOFF 2	(83,572)	(1,814,852)	(3,231,756)

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, 2022 and 2021, the Spokane Airport Board reported a total pension liability and pension assets are as follows:

	2022	2021
	Liability (or Asset)	Liability (or Asset)
PERS 1	$ 944,457	$ 461,162
PERS 2/3	(1,637,019)	(4,838,851)
LEOFF 1	(944,921)	(1,126,051)
LEOFF 2	(1,814,852)	(3,846,738)

The amount of the assets 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

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	$ 944,921	$ 1,814,852
State's proportionate share of the net pension asset associated with the employer	6,391,423	1,175,621
TOTAL	$ 7,336,344	$ 2,990,473

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

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2021	Change in Proportion
PERS 1	0.033920%	0.037762%	(0.003842%)
PERS 2/3	0.044139%	0.048575%	(0.004436%)
LEOFF 1	0.032940%	0.032872%	(0.000068%)
LEOFF 2	0.066779%	0.066227%	(0.000552%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by OSA. The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense:

For the year ended December 31, 2022 and 2021, the Spokane Airport Board recognized pension expense as follows:

	2022	2021
	Pension Expense	Pension Expense
PERS 1	$ 332,481	$ (282,356)
PERS 2/3	(530,579)	(1,101,517)
LEOFF 1	(44,962)	(164,181)
LEOFF 2	314,950	(447,962)
TOTAL	$ 71,890	$ (1,996,016)

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 the Airport's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/collective net pension liability in the year ending December 31, 2022 and 2021, respectively. On December 31, 2022 and 2021, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to pensions from sources as shown in the table below.

PERS 1	December 31, 2022	
	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	-	(156,524)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	118,278	-
TOTAL	$ 118,278	$ (156,524)

PERS 1	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(511,736)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	100,828	-
TOTAL	$ 100,828	$ (511,736)

PERS 2/3	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 405,615	$ (37,058)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,210,260)
Changes of assumptions	912,412	(238,902)
Changes in proportion and differences between contributions and proportionate share of contributions	113,384	(118,129)
Contributions subsequent to the measurement date	197,896	-
TOTAL	$ 1,629,307	$ (1,604,349)

Note 8 - Pension and Benefit Plans (Continued)

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

LEOFF 1	December 31, 2022	
	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	-	(117,986)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	$ -	$ (117,986)

LEOFF 1	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(344,078)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	$ -	$ (344,078)

LEOFF 2	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 431,239	$ (16,839)
Net difference between projected and actual investment earnings on pension plan investments	-	(607,682)
Changes of assumptions	459,753	(158,024)
Changes in proportion and differences between contributions and proportionate share of contributions	87,714	(17,248)
Contributions subsequent to the measurement date	66,404	-
TOTAL	$ 1,045,110	$ (799,793)

Note 8 – Pension and Benefit Plans (Continued)

LEOFF 2	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 174,473	$ (20,330)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,834,153)
Changes of assumptions	1,663	(182,951)
Changes in proportion and differences between contributions and proportionate share of contributions	99,747	(2,847)
Contributions subsequent to the measurement date	67,327	-
TOTAL	$ 343,210	$ (2,040,281)

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 or an addition to the net pension asset in the year ending December 31, 2023. 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:	LEOFF 1
2023	$ (49,971)
2024	$ (45,245)
2025	$ (56,574)
2026	$ 33,804
2027	$ -
Thereafter	$ -

Year ended December 31:	PERS 1
2023	$ (66,238)
2024	$ (60,161)
2025	$ (75,470)
2026	$ 45,345
2027	$ -
Thereafter	$ -

Year ended December 31:	LEOFF 2
2023	$ (180,993)
2024	$ (155,577)
2025	$ (210,310)
2026	$ 271,982
2027	$ 84,867
Thereafter	$ 368,943

Year ended December 31:	PERS 2/3
2023	$ (361,013)
2024	$ (334,615)
2025	$ (405,822)
2026	$ 542,593
2027	$ 186,059
Thereafter	$ 199,861

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 2022:

Aggregate OPEB Amounts - All Plans		
	2022	2021
OPEB liabilities	$ 2,576,533	$ 3,469,274
OPEB assets	$ -	$ -
Deferred outflows of resources	$ 1,457,251	$ 1,602,641
Deferred inflows of resources	$ (1,471,122)	$ (830,584)
OPEB expense/expenditures	$ 106,813	$ 136,825

The most recent actuarial evaluation was performed on May 1, 2023 for the year ended December 31, 2022.

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

Note 8 – Pension and Benefit Plans (Continued)

plan. The plan is directed and defined by the State of Washington Revised Code (RCW 41.26.150). Under the Airport's bargaining unit agreement with its firefighters, the Airport is required to provide full coverage medical and dental insurance to the retired firefighters. The Airport pays 100% of the premiums, employee deductibles, and co-insurance payments from the time of retirement until death. An employee is eligible for retirement with five years of service at the age of 50.

At December 31, 2022, the following employees were covered by the benefit terms:

Type of employee	Amount
Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	10

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, 2022 and 2021, using the entry age normal cost method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $2,576,533 and $3,469,274, respectively, all of which was unfunded.

Note 8 – Pension and Benefit Plans (Continued)

Assumptions and Other Inputs:

The following actuarial methods and assumptions were made:

Assumption/Input	Value
Valuation Date	12/31/2022
Measurement Date	12/31/2022
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	12
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	2.25% at 12-31-2021 4.31% at 12-31-2022
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	4.31%
Retirement Age	55
Mortality Table	RP-2014 Mortality with 2022 Improvement Rate
Turnover Table	T2 Table
Salary changes	Not applicable

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

	1% Decrease 8% decreasing to 5.0%	Current Healthcare Cost Trend Rate 9% decreasing to to 5.0%	1% Increase 10% decreasing to 5.0%
Total OPEB Liability	$ 2,412,233	$ 2,576,533	$ 2,759,294

The following presents the total OPEB liability of the Airport calculated using the discount rate of 4.31 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.31 percent) or 1-percentage point higher (5.31 percent) that the current rate.

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total OPEB Liability	$ 2,790,606	$ 2,576,533	$ 2,388,922

Note 8 – Pension and Benefit Plans (Continued)

Changes in the Total OPEB Liability:

Spokane Airport Firefighter OPEB Plan	
Total OPEB Liability at 01/01/2022	$ 3,469,274
Service cost	-
Interest	76,002
Changes of benefit terms	0
*Differences between expected and actual experience	(310,561)
*Changes of assumptions	(475,406)
Benefit payments	(182,776)
Other changes	-
Total OPEB Liability at 12/31/2022	2,576,533

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, 2022 totaled $182,776 and $148,177 for the year ending December 31, 2021. The insurance provided full coverage to the retired firefighters. Under the insurance contract, payment of benefits has been transferred from the Airport to Kaiser Permanente and Washington Delta Dental.

The amount of OPEB expense recognized by the Airport for the reporting period ending December 31, 2022 was $182,776 and $132,825 for the year ending December 31, 2021.

At December 31, 2022, the Spokane Airport Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,020,925	$ 728,277
Changes of assumptions	436,326	742,845
Payments subsequent to the measurement date	-	-
TOTAL	$ 1,457,251	$ 1,471,122

Note 8 – Pension and Benefit Plans (Continued)

Deferred outflows of resources of $0 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. 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
2023	$ (37)
2024	$ (37)
2025	$ (37)
2026	$ (37)
2027	$ (37)
Thereafter	$ (13,685)

Termination Benefits:

On July 20, 2015, the January 1, 2014 through December 31, 2018 Local #29 International Association of Firefighter union contract was signed. The agreement offered a voluntary early retirement incentive to five eligible employees. The early retirement program consisted of one-time incentive payment of $95,000, a financial advisor allowance of $500, and a one-time contribution for medical benefits payable to a Health Reimbursement Account (HRA) in the amount of $18,000 per employee. Three employees exercised their option to retire in 2015 and one employee exercised their option to retire prior to December 31, 2016. The balance of the liability for terminated benefits at December 31, 2022 and 2021 was $0 and $18,000.

Note 9 Deferred Outflows and Inflows

The Airport had the following Deferred Outflows and Inflows at December 31, 2022 and 2021.

	2022	2021
Deferred Outflows		
Pension Outflows	$ 2,792,696	$ 955,211
OPEB Outflows	1,457,251	1,602,641
Total Deferred Outflows	$ 4,249,947	$ 2,557,852
Deferred Inflows		
Pensions	$ 2,678,652	$ 7,490,166
OPEB	1,471,122	830,584
Leases	47,202,753	24,689,756
Total Deferred Inflows	$ 51,352,527	$ 33,010,506

Note 10 - Deferred Compensation

The Airport offers their employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457(b). 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 $321,551 and $297,072 for the years ended December 31, 2022 and 2021, respectively.

Note 10 – Deferred Compensation (Continued)

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

The fair value of the deferred compensation plan assets and the total amount of deferred compensation, including income earned, were approximately $3,687,991 and $4,547,873 at December 31, 2022 and 2021, respectively. In accordance with the 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.

Effective November 1, 2022, the Airport Board adopted a 457(f) deferred compensation plan for qualified executive employees. The plan adopted by the Airport Board is a nonqualified deferred compensation plan, or commonly referred to as a "top hat plan" under Section 201(2) of the Employee Retirement Income Security Act (ERISA) of 1974, as amended. Per the plan, the Airport made an initial contribution of $327,672, plus associated taxes, at the end of fiscal year 2022. Additionally, the Airport may make additional contributions from time to time per the plan's vesting schedule, however, the Airport is under no obligation to make a contribution(s) to an employee if the employee leaves the organization prior to a vesting period.

Note 11 - Related Party Leases

The Airport has non-cancelable operating land lease agreements with the City of Spokane (City), a related party. The Airport recognized income of $142,441 in 2022 and $142,177 in 2021 as a result of the land leases. The Airport purchases various utilities and permits from the City. In 2022 and 2021 those amounts totaled $785,775 and $259,989, respectively. On September 8, 2021, the Airport entered into a Purchase and Sale Agreement with the City of Spokane for the sale of 2.895 acres for $345,000. The parcel houses two water towers operated and maintained by the City.

The Airport has operating lease agreements with various entities within Spokane County (County), a related party. During 2022 and 2021, the Airport recognized income of $374,476 and $376,026, respectively, under the lease agreements. The Airport purchases various services from the County. In 2022 and 2021, those amounts totaled $8,855 and $8,894, respectively.

The Airport purchases the majority of its electrical power from Avista Utilities. During 2022 and 2021, employees from Avista Utilities were members of the Airport Board. The Airport paid Avista Utilities $1,903,369 and $1,714,335 in 2022 and 2021, respectively. The Airport received revenue from Avista for 2022 and 2021 in the amount of $19,905 and $17,503.

The Airport has a land and building lease with West Plains Airport Area PDA, a related party. The Airport recognized income of $63,934 in 2022 and $36,939 in 2021 as a result of the land leases. During 2022 the Airport sold land to West Plain Airport Area PDA totaling $4,641,965.

Income and future minimum rental payments under the lease agreements are included in amounts in Note 7.

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.

Note 12 – Environmental Liability (Continued)

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

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

In July 2015, the Airport submitted to the Department of Ecology an application to land apply recovered aircraft deicing fluid (ADF). Ecology has acknowledged receipt of the application and during a review period SIA began monitoring the effect of land application of ADF. On February 19, 2019, the Airport submitted an updated permit and application that reflected changes to the collection, treatment and discharge of the ADF-containing storm water. Department of Ecology accepted the application as complete on February 26, 2019. On June 20, 2020, the Department of Ecology issued Permit ST0045499 authorizing the Airport to continue to discharge residual ADF-containing storm water to the storm water infiltration area.

The Airport has estimated an environmental liability in the amount of $2,106,943 and $2,106,943 as of December 31, 2022 and 2021, 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, 2022, 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 2022 and 2021, the Airport entered into various construction and service related contracts totaling $201,522,302 and $42,075,388. Commitments remaining on contracts totaled $175,684,113 at December 31, 2022 and $29,081,331 at December 31, 2021.

Note 14 – Grants

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

Note 15 – Net Position

Investment in capital assets, net of debt, consist of the following at December 31:

	2022	2021
Long-term assets		
Land	$ 20,663,872	$ 20,348,571
Construction in process	45,987,587	33,597,604
Depreciable capital assets, net	220,130,633	221,138,632
Total capital assets	$ 286,782,092	$ 275,084,807
Less related liabilities		
Construction Retainage Payable	$ 1,087,712	$ 1,008,949
Construction Warrants Payable	1,878,555	2,380,507
Total liabilities	2,966,267	3,389,456
INVESTMENT IN CAPITAL ASSETS	$ 283,815,825	$ 271,695,351

Restricted net position consists of the following:

	2022	2021
Passenger Facility Charge, investments, restricted for approved projects	$ 1,492,053	$ 3,584,925
Customer facility Charges	18,659,657	15,277,217
Cash restricted for retainages, deposits, and grants	3,274,961	2,998,503
Receivable from Government Agency	18,153,503	14,924,621
Net Pension Asset	4,396,791	9,811,640
RESTRICTED NET POSITION	$ 45,976,965	$ 46,596,906

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 2022 and in 2021.

Note 17 - Subsequent Events

Economic Events:

As noted throughout the 2022 statements, passenger and traffic activity at the Airport increased significantly over 2021 activity. That trend has continued into the first seven months of 2023 as the Airport is experiencing its highest passenger activity in the Airport's history.

On March 16, 2023, the Airport Board approved entering into a Promissory Note with the Spokane County Treasurer's Office for short-term borrowing. The Airport may draw up to $15 million in two separate tranches, for a total of $30 million. The Airport will use the funds to construct the Concourse C TREX project.

Given the actions taken by the Federal Government since the start of the pandemic, including recent passage of the Bipartisan Infrastructure Law (BIL), the Airport estimates the pandemic will have less of an adverse impact on the financial statements in the short term than was originally projected. The recovery from the pandemic is expected to continue through the next couple years. The Airport saw a dramatic increase in passenger activity in 2022 over 2021. The increase in passenger traffic along with the cost-saving measures implemented by Airport management at the outset of the pandemic have resulted in the Airport's financial statements being in a better position than originally projected.

Required Supplementary Information

State Sponsored Pension Plans

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

PERS 1	2022	2021	2020
Employer's proportion of the net pension liability (asset)	0.033920%	0.037762%	0.043163%
Employer's proportionate share of the net pension liability	$ 944,457	$ 461,162	$ 1,523,887
Employer's covered payroll	5,509,382	5,714,844	6,551,262
Employer's proportionate share of the net pension liability as a percentage of covered payroll	17.14%	8.07%	23.26%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%

PERS 2/3	2022	2021	2020
Employer's proportion of the net pension liability (asset)	0.044139%	0.048575%	0.055949%
Employer's proportionate share of the net pension liability (asset)	$ (1,637,019)	$ (4,838,852)	$ 715,556
Employer's covered payroll	5,509,382	5,714,844	6,551,262
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.71%	-84.67%	10.92%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%

LEOFF 1	2022	2021	2020
Employer's proportion of the net pension liability (asset)	0.032940%	0.032872%	0.033059%
Employer's proportionate share of the net pension liability (asset)	$ (944,921)	$ (1,126,050)	$ (624,322)
Employer's covered payroll	-	-	-
State's proportionate share of the net pension liability (asset) associated with the employer	$ (6,391,423)	$ (7,616,579)	$ (4,222,900)
TOTAL	$ (7,336,344)	$ (8,742,629)	$ (4,847,222)
Employer's covered payroll	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	169.62%	187.45%	146.88%

LEOFF 2	2022	2021	2020
Employer's proportion of the net pension liability (asset)	0.066779%	0.066227%	0.069828%
Employer's proportionate share of the net pension liability (asset)	$ (1,814,852)	$ (3,846,738)	$ (1,424,389)
State's proportionate share of the net pension liability (asset) associated with the employer	(1,175,621)	(2,481,566)	(910,784)
TOTAL	$ (2,990,473)	$ (6,328,304)	$ (2,335,173)
Employer's covered payroll	2,690,312	2,549,438	2,659,260
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-111.16%	-248.22%	-87.81%
Plan fiduciary net position as a percentage of the total pension liability	116.09%	142.00%	115.83%

State Sponsored Pension Plans (Continued)

2019	2018	2017	2016	2015	2014
0.043428%	0.041895%	0.042622%	0.040130%	0.039292%	0.041972%
$ 1,669,961	$ 1,871,045	$ 2,022,447	$ 2,155,170	$ 2,072,175	$ 2,112,914
6,144,088	5,584,050	5,960,060	4,868,988	4,524,442	4,617,726
27.18%	33.51%	33.93%	44.26%	45.80%	45.76%
67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

2019	2018	2017	2016	2015	2014
0.056091%	0.053522%	0.054863%	0.051356%	0.050566%	0.053087%
$ 544,834	$ 913,841	$ 1,906,227	$ 2,585,734	$ 1,838,537	$ 1,075,519
6,144,088	5,584,050	5,960,060	4,868,988	4,515,039	4,587,162
8.87%	16.37%	31.98%	53.11%	40.72%	23.45%
97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

2019	2018	2017	2016	2015	2014
0.032810%	0.032389%	0.032609%	0.034301%	0.035194%	0.036583%
$ (648,526)	$ (588,023)	$ (494,750)	$ (353,398)	$ (424,165)	$ (443,675)
-	-	-	-	-	23,038
$ (4,386,614)	$ (3,977,373)	$ (3,346,479)	$ (2,390,378)	$ (2,869,042)	$ (3,001,007)
$ (5,035,140)	$ (4,565,396)	$ (3,841,229)	$ (2,743,776)	$ (3,293,207)	$ (3,444,682)
-	-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
148.78%	144.42%	135.96%	123.74%	127.36%	126.91%

2019	2018	2017	2016	2015	2014
0.070087%	0.071336%	0.074294%	0.073676%	0.082249%	0.080339%
$ (1,623,701)	$ (1,448,276)	$ (1,030,960)	$ (428,522)	$ (839,853)	$ (1,060,517)
(1,063,306)	(937,732)	(668,764)	(279,365)	(555,133)	$ (692,922)
$ (2,687,007)	$ (2,386,008)	$ (1,699,724)	$ (707,887)	$ (1,394,986)	$ (1,753,439)
2,471,461	2,372,143	2,476,968	2,278,302	2,384,962	2,256,310
-108.72%	-100.58%	-68.62%	-31.07%	-58.49%	-77.71%
119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

State Sponsored Pension Plans (Continued)

Schedule of Employer Contributions
As of December 31

PERS 1	2022	2021	2020
Statutorily or contractually required contributions	$ 221,848	$ 230,504	$ 303,072
Contributions in relation to the statutorily or contractually required contributions	221,848	230,504	303,072
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	5,903,224	5,382,802	6,319,335
Contributions as a percentage of covered payroll	3.76%	4.28%	4.80%

PERS 2/3	2022	2021	2020
Statutorily or contractually required contributions	$ 375,445	$ 383,769	$ 500,492
Contributions in relation to the statutorily or contractually required contributions	375,445	383,769	500,492
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	5,903,224	5,382,802	6,319,335
Contributions as a percentage of covered payroll	6.36%	7.13%	7.92%

LEOFF 1	2022	2021	2020
Statutorily or contractually required contributions	$ -	$ -	$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	-	-	-
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

LEOFF 2	2022	2021	2020
Statutorily or contractually required contributions	$ 136,821	$ 130,522	$ 135,958
Contributions in relation to the statutorily or contractually required contributions	136,821	130,522	135,958
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employer payroll	2,672,284	2,542,072	2,639,947
Contributions as a percentage of covered payroll	5.12%	5.13%	5.15%

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

State Sponsored Pension Plans (Continued)

2019	2018	2017	2016	2015	2014 *
$ 318,572	$ 290,805	$ 271,541	$ 245,770	$ 205,343	$ 182,726
318,572	290,805	271,541	245,770	205,343	182,726
$ -	$ -	$ -	$ -	$ -	$ -
6,144,088	5,741,232	5,538,859	5,193,812	4,669,550	4,543,077
5.19%	5.07%	4.90%	4.73%	4.40%	4.02%

2019	2018	2017	2016	2015	2014 *
$ 497,916	$ 430,625	$ 380,628	$ 321,470	$ 263,805	$ 227,331
497,916	430,625	380,628	321,470	263,805	227,331
$ -	$ -	$ -	$ -	$ -	$ -
6,144,088	5,741,232	5,538,859	5,193,812	4,669,550	4,543,077
8.10%	7.50%	6.87%	6.19%	5.65%	5.00%

2019	2018	2017	2016	2015	2014 *
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2019	2018	2017	2016	2015	2014 *
$ 134,741	$ 125,868	$ 120,068	$ 112,905	$ 119,085	$ 119,032
134,741	125,868	120,068	112,905	119,085	119,032
$ -	$ -	$ -	$ -	$ -	$ -
2,471,461	2,397,478	2,330,224	2,235,741	2,358,113	2,357,062
5.45%	5.25%	5.15%	5.05%	5.05%	5.05%

Other Postemployment Health Care Benefits (Continued)

The following information is based on an actuarial report prepared on May 1, 2023, for the fiscal years ending December 31, 2022 and 2021.

Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31, 2022
Last 10 Fiscal Years*

	2022	2021
Total OPEB liability - Beginning	$ 3,469,274	$ 3,461,120
Service cost	-	-
Interest	76,002	67,364
Changes in benefit terms	-	-
Differences between expected and actual experience	(310,561)	207,648
Changes of assumptions	(475,406)	(80,986)
Benefit payments	(182,776)	(185,872)
Other changes	-	-
Total OPEB liability - ending	2,576,533	3,469,274
Plan fiduciary net position		
Contribution	$ 182,776	$ 185,872
Net Investment Income		
Benefit Payments	(182,776)	(185,872)
Administrative Expense	-	-
Other	-	-
Net Change in Fiduciary Net Position	-	-
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending	-	-
Net OPEB Liability	2,576,533	3,469,274
Plan Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%
Covered-employee payroll	$ -	$ -
Total OPEB liability as a % of covered payroll	N/A	N/A

Notes to Schedule:

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

Other Postemployment Health Care Benefits

2020	2019	2018	2017	2016
$ 3,031,126	$ 2,446,912	$ 3,062,684	$ 3,202,985	$ 2,961,892
-	-	-	-	-
81,111	91,028	98,577	117,440	86,200
-	113,328	-	-	-
326,458	356,852	(430,493)	(261,003)	613,175
185,718	163,432	(132,858)	145,743	(281,172)
(163,293)	(140,426)	(150,998)	(142,481)	(177,110)
-	-	-	-	-
3,461,120	3,031,126	2,446,912	3,062,684	3,202,985
$ 163,293	$ 140,426	$ 150,998	$ 142,481	$ 142,481
-	-	-	-	-
(163,293)	(140,426)	(150,998)	(142,481)	(142,481)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,461,120	3,031,126	2,446,912	3,062,684	3,202,985
0.00%	0.00%	0.00%	0.00%	0.00%
$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A

Other Postemployment Health Care Benefits (Continued)

The following actuarial methods and assumptions were made:

Assumption/Input	Value
Valuation Date	12/31/2022
Measurement Date	12/31/2022
Actuarial Cost Method	Entry Age Normal
Funding Model	Service Cost + Shortfall Amortization
Amortization Method	Level Dollar
Remaining Amortization Period	12
Asset Valuation Method	Market Value
Medical Trend Rate	9% reduced by .5% until base 5%
Salary increase rate	0.00%
Discount rate	2.25% at 12-31-2021 4.31% at 12-31-2022
Investment Rate of Return	0.00%
Long-Term Rate of Return	0.00%
20-Year AA Municipal Bond Index Rate	4.31%
Retirement Age	55
Mortality Table	RP-2014 Mortality with 2022 Improvement Rate
Turnover Table	T2 Table
Number of Participants in plan	Not applicable
Changes in Benefits	12/31/2022
Salary changes	12/31/2022

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Spokane Airport Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Spokane Airport Board (the Airport), which comprise the statement of net position as of and for the year ended December 31, 2022, 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 September 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Spokane, Washington
September 15, 2023

SPOKANE
AIRPORT BOARD
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