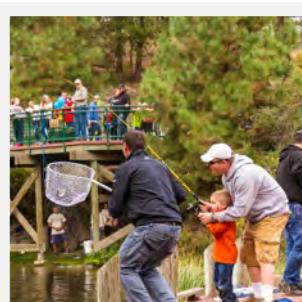
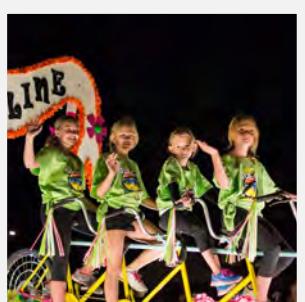




Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2016



Pictures from Valleyfest held annually in the City of Spokane Valley.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended
December 31, 2016

Rod Higgins
Mayor

Mark S. Calhoun
City Manager

John Hohman
Deputy City Manager

Chelsie Taylor
Finance Director

Daniel C. Duffey
Accounting Manager

City Hall
11707 E. Sprague Ave., Suite 106
Spokane Valley, WA 992016-6124
Website: www.spokanevalley.org
Phone: (509) 921-1000
Fax: (509) 688-0236

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Introductory Section



**CITY OF SPOKANE VALLEY, WA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

CITY OF SPOKANE VALLEY TABLE OF CONTENTS

Introductory Section

Letter of Transmittal.....	i
Organizational Chart	ix
List of Elected Officials and Department Directors/Division Managers	x

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis	7

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Assets	21
Statement of Activities.....	22

Governmental Fund Financial Statements:

Balance Sheet - Governmental Funds	23
Reconciliation of Total Governmental Funds Balances to Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28

Proprietary Financial Statements:

Statement of Net Assets - Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds.....	30
Statement of Cash Flows - Proprietary Funds	31

Notes to Financial Statements

Notes index	34
-------------------	----

Required Supplementary Section

Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual:

General Fund.....	71
Street Fund	72

Schedule of Proportionate Share Net Pension Liability PERS 1 & 2/3	73
--	----

Schedule of Employer Contributions (one year trend) PERS 1 & 2/3	75
--	----

Supplementary Information

Non-major Governmental funds, Special Revenue Funds, defined	78
Non- major Governmental funds, Capital Projects Funds, defined.....	79

Non- major Governmental funds, Debt Service Fund, defined	80
---	----

Combining Financial Statements (Non-major):

Combining Balance Sheet all Non-major Governmental Funds	83
--	----

Combining Balance Sheet Non-major Special Revenue Funds	84
---	----

Combining Balance Sheet Non-major Debt Service Funds	86
--	----

Supplementary Information – continued

Combining Balance Sheet Non-major Capital Projects Funds	87
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Governmental Funds	89
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Special Revenue Funds	90
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Debt Service Fund	92
Combining Statement of Revenues, Expenditures & Changes in Fund Balances, Non-major Capital Projects Funds	93
Schedule of Revenues, Expenditures & Changes in Fund Balances, Non-Major Budget & Actual:	
Trails & Paths & Tourism Facilities Hotel/Motel Special Revenue Funds	95
Hotel/Motel & Solid Waste Special Revenue Funds	96
Peg & CenterPlace Operating Reserve Special Revenue Funds	97
Service Level Stabilization & Winter Weather Reserve Special Revenue Funds	98
Civic Facilities Replacement & REET 1 Capital Projects, Capital Projects Funds	99
REET 2 Capital Projects & Street Capital, Capital Projects Funds	100
Parks Capital & Civic Buildings, Capital Projects Funds	101
Pavement Preservation & Capital Reserve, Capital Projects Funds	102
City Hall Construction Capital Projects Fund	103
Debt Service LTGO Refunding 2014, Debt Service Funds	104
Internal Service Funds defined.....	105
Combining Statement of Net Position Equipment Rental & Replacement and Risk Management, Internal Service Funds	106
Combining Statement of Revenues, Expenses, and Changes in Net Position Equipment Rental & Replacement and Risk Management, Internal Service Funds	107
Combining Statement of Cash Flows Equipment Rental & Replacement and Risk Management, Internal Service Funds	108

Statistical Section

Statistical Section index	110
Net Position by Component (last 10 fiscal years)	111
Changes in Net Position (last 10 fiscal years)	112
Fund Balances of Governmental Funds (last 10 fiscal years)	114
Changes in Fund Balances of Governmental Funds (last 10 fiscal years)	115
Assessed Value & Estimated Actual Value of Taxable Property	116
Direct & Overlapping Property Tax Rates Governments	117
Principal Property Taxpayers (current year & 10 years ago)	118
Property Tax Levy and Collections	119
Ratios of Outstanding Debt by Type	120
Ratios of General Bonded Debt Outstanding	121
Direct & Overlapping Governmental Units (District) Debt	122
City of Spokane Valley's Legal Debt Margin Information	123
Demographic and Economic Statistics	124
Principal Employers (current year & 10 years ago)	125
Full-time Equivalent (FTE) Employees by Function and Program	126
Operating Indicators by Function	127
Capital Asset Statistics by Function and Program	128

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank





11707 E Sprague Ave Suite 106 ♦ Spokane Valley WA 99206
509.921.1000 ♦ Fax: 509.921.1008 ♦ cityhall@spokanevalley.org

September 14, 2017

Honorable Mayor,
Members of the City Council,
And Citizens of the
City of Spokane Valley, Washington

We are pleased to present the City's Comprehensive Annual Financial Report for the year ended December 31, 2016. This transmittal letter provides an overview of the report and financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it. The report is prepared in accordance with the Revised Code of Washington (RCW) 43.09.230. The City maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce accurate and fairly represented financial statements in accordance with generally accepted accounting principles.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed financial statements and all supporting schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

These financial statements have been audited by the Washington State Auditor's Office. This independent audit was conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards to provide an independent assessment of fair presentation of the City's financial position. The State Auditor's Office has issued an unqualified ("clean") opinion on the City's financial statements. The State Auditor's Office also performed the Federally-mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. An unqualified opinion was also issued for this audit. The independent auditor's reports are located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the State Auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Spokane Valley, incorporated on March 31, 2003, is located near the eastern border of the State of Washington. With an estimated population of 94,890 (WA State Office of Financial Management, April 2017), Spokane Valley is the 10th largest city in Washington state. The incorporation of Spokane Valley was the largest in the state and the 2nd largest single incorporation in U.S. history at the time. The incorporated area of Spokane Valley encompasses approximately 38.5 square miles of land area, with room for residential, commercial and industrial expansion. Within the incorporated city limits, there are about 461 miles of roadway. The City is a general-purpose government and provides public safety, street construction, pavement preservation, parks and recreation, stormwater, solid waste disposal and general administrative services.

The City of Spokane Valley is a non-charter code city and operates under a Council-Manager form of government. It is governed under the optional municipal code of RCW Chapter 35A. Under this form of government, legislative authority is concentrated in the elected City Council, which hires a professional administrator to implement its policies.

There are seven positions on the City Council, and all council positions are at-large positions. Councilmembers are generally elected to four-year terms, with elections held every two years. For continuity, position terms are staggered by two years so that all positions are not open for election at the same time. Biennially, at the first meeting of the calendar year, the City Council members choose a Mayor and a Deputy Mayor. Following is a list showing the Mayor and the six additional City Councilmembers and their term expiration dates as of December 31, 2016:

Member	Position	Employer/Occupation	Total Time Served	Current Term
Lewis R. Higgins	Mayor	Retired	3.90 years	12/31/17
Arne Woodard	Deputy Mayor	Real Estate Broker	5.74 years	12/31/19
Caleb Collier	Councilmember	Mail Carrier	0.51 years	11/07/17
Ed Pace	Councilmember	Pastor	3.00 years	12/31/17
Pam Haley	Councilmember	Business Owner	0.51 years	11/07/17
Sam Wood	Councilmember	Appraiser	1.00 years	12/31/19
Michael Munch	Councilmember	General Contractor	0.43 years	11/07/17

The City Council is required to adopt an initial budget for the fiscal year no later than December 31 preceding the beginning of the fiscal year on January 1. The annual budget includes the financial planning and legal authority to obligate public funds. Additionally, the budget provides significant policy direction by the City Council to the staff and community. As a result, the City Council, staff and public are involved in establishing the budget for the City of Spokane Valley.

The executive branch is led by the City Manager. The City Manager is hired by and is responsible to the City Council. The City Manager is responsible for overall administration of the City, such as carrying out City Council policy, administering the affairs of the City and directing, organizing, establishing, supervising and administering all departments, agencies, and offices of the City.

Local economy

The City is located in eastern Washington, in the central east area of Spokane County (the “County”), immediately adjacent to the eastern border of the City of Spokane (“Spokane”). Due to the City’s proximity to Spokane, the economy of the City is greatly influenced by Spokane’s economy. Spokane is the second largest city in the State with an estimated 2017 population of 217,300. The population of the County is estimated to be 499,800 in 2017. Both Spokane and the County have experienced steady annual growth in population.

Historically, much of the County’s economy relied heavily on the natural resource-related sectors of forest products and agriculture. While these industries continue to be important elements of the area’s economy, the County’s economy has diversified significantly due to the influx and growth of high technology firms, airlines, and service industries attracted by the region’s high quality work force.

Spokane serves as the economic hub of the County and as the regional trade center for an area commonly known as the “Inland Northwest,” consisting of portions of northeastern Washington, northern Idaho, western Montana and southern British Columbia in Canada. Spokane and its metropolitan area provide higher education and research opportunities, high quality healthcare facilities, extensive support services for area residents and businesses and a large downtown retail and business core.

Spokane County is the largest labor market in Eastern Washington and Northern Idaho. The Spokane regional economy survived “The Great Recession” and emerged more diversified, and steady growth is forecasted for the future. Spokane’s recovery is being led by five industries – advanced manufacturing, health services, finance/insurance, transportation/warehousing and education. Without the advantage of mega employers, these five industries have medium sized employers that are flexible and efficient in their markets. The health sciences and future medical school development has been a game changer for Spokane-Spokane Valley MSA. High tech companies in manufacturing, scientific and technical industries are creating new jobs and expanding the economic base in 2016/2017. (source: Washington State Employment Security Department Spokane County Profile)

The City has an extensive retail tax base and is home to several major auto dealerships and the Spokane Valley Mall, which includes over 700,000 square feet of gross leaseable floor area. There are more than 10,000 businesses registered to do business in Spokane Valley, with estimated gross annual retail sales in 2016 of \$2.34 billion.

Spokane Valley prides itself on quality neighborhoods and schools, along with strong business and retail centers. Friendly people, natural surroundings and beautiful weather are part of what make Spokane Valley a favorite destination for visitors from all over the world. With all four seasons

represented, we have an abundance of recreational activities. There are four distinct ski resorts, 75 lakes within an hour's drive, and many hiking and biking trails to enjoy.

Our region invests in all stages of education to instill a passion for knowledge that extends beyond the classroom and into the community. The result is a skilled workforce that is highly engaged, highly motivated, eager to make a difference and ready to get to work. K-12 schools have been recognized as leaders in the state and across the nation in K-12 education. Students can prepare for college and university coursework and earn college credits by taking elective advanced placement classes. Spokane Valley includes three school districts – East Valley School District, Central Valley School District, and West Valley School District. Combined they serve over 20,000 students in more than 40 schools. The extended graduation rates for East Valley, Central Valley and West Valley School Districts are 87.2%, 91.8%, and 98.8%, respectively. Additionally, 51% of East Valley School District graduates, 54% of Central Valley graduates, and 56% of West Valley graduates go on to college. (source: Office of Superintendent of Public Instruction – school district report cards)

The region is home to numerous universities and colleges, both public and private. Notable institutions include the private universities of Gonzaga and Whitworth. Two public Community Colleges serve students planning to transfer to a four-year institution and students looking for workforce training in high demand professions such as nursing, cooking and aviation maintenance. Eastern Washington University offers programs and student services in Cheney and at the Spokane campus. Washington State University and the University of Washington offer programs at their satellite campus in downtown Spokane.

Major initiatives

The City Council established direction for the City when in March it crafted a vision statement for Spokane Valley: A community of opportunity where individuals and families can grow and play and businesses will flourish and prosper.

The vision statement served as a guide for the July 2005 development of the City's values, which are:

Community Identity and Pride

Spokane Valley promotes an environment that supports the home and family, and job and education opportunities.

Focus on the Future

Spokane Valley is a visionary city encouraging its citizens and their government to look to the future beyond the present generation, and to bring such ideas to public discussion, enhancing a sense of community identity.

Open, Collaborative Government

Spokane Valley values a “user-friendly” government, in which governance practices and general operations consider how citizens will be served in the most responsive, effective and courteous manner.

Long-term planning and Capital Projects

As part of long-range planning and Washington State's Growth Management Act (GMA), Spokane Valley developed a Comprehensive Plan. The Comprehensive Plan is the City's official statement concerning its vision for future growth and development. The Plan comprises several individual elements. The City of Spokane Valley amends its Comprehensive Plan on an annual basis as permitted by State law. In addition to these regular amendments, the GMA requires counties and cities to periodically conduct a thorough review of their plans and regulations to bring them in line with any relevant changes in the GMA and to accommodate updated growth targets. Spokane Valley's Comprehensive Plan was updated during 2016.

To assist the City with long term financial planning, the City has adopted a set of Fiscal Policies that encompass both financial management and setting financial objectives. The City prides itself in being an example of how a City can function efficiently and economically while providing key services to the community.

The financial management policies that the City has adopted are multi-faceted. We will continue to provide basic levels of service with minimal resources. In order to accomplish this, many services are contracted. This helps keep personnel and overhead costs down by maintaining consistent staffing levels with minimal adjustment to respond to the ever changing economy. Continuing the annual process of creating a six-year business plan allows management and Council to see how the decisions that are made today affect what is possible in the future. To maintain flexibility for the future, the City continues with the pay as you go philosophy and minimal debt. This allows current dollars to be spent on current and future projects, instead of tying up future dollars with debt payment on current projects. To make the pay as you go philosophy work to its full extent, current spending is leveraged with grant funding as often as possible. Finally, we use the extensive annual budget process to prioritize spending to minimize changes and additions to appropriations during the year.

The financial management policies are in place to help the City meet the financial objectives. We maintain a General Fund Ending Balance of at least 50% of recurring expenditures. This is roughly the equivalent of six months of general fund operations and was determined as a result of cash flow analysis. The City has also established a Service Level Stabilization Fund that can be used to support City operations in times of economic hardship.

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at year end was 79% of recurring expenditures. This is above policy guidelines set by the Council. City policy also indicates that if ending fund balance is in excess of 50% of recurring expenditures, the City may consider spending down the excess on one time expenditures, generally capital in nature. Since this policy was adopted in 2013 the City has transferred \$13,881,949 to our Capital Reserve Fund for use on a variety of capital projects, including all phases of the Appleway Trail, the replacement of the West Sullivan Road Bridge and new City Hall building.

Beginning in 2012, the City initiated a pavement preservation program that utilized funding from the General Fund, Real Estate Excise Taxes, and capital project fund reserves. In 2017, our citizens will again see an aggressive program of repaving our roadways. Some may question paving roads that “don’t look so bad.” The truth is the best time to repave is before a road deteriorates to the point that full reconstruction is necessary. Full reconstruction can cost substantially more than pavement preservation efforts. That is why the City of Spokane Valley has committed critical financial resources to preservation of our transportation infrastructure.

In addition to the focus on pavement preservation, the City has other major investments in capital projects in process and planned for the future. In 2014 the City started construction on the replacement of the deteriorating Sullivan Road West Bridge over the Spokane River. The total project budget of \$15.83 million is funded with \$2.32 million of city funds, with the rest of the funding coming from multiple granting agencies. The project is expected to be completed in the spring of 2017.

In 2014 the City agreed to terms for the 2015 purchase of 3.38 acres for the purposes of building a City Hall. Since incorporation, the City has utilized leased space for its primary functions. The construction of a City Hall facility in 2016 and 2017 is funded with the existing funds and issuance of limited tax general obligation bonds. The City issued limited tax general obligation bonds for this purpose during 2016, and the future annual debt service payments are lower than the City’s annual lease payments for the current City Hall space.

Parks and trails are also getting major investments as the City continues work on the construction for the Browns Park Master Plan. Browns Park is an 8.2-acre park located at the corner of Pines Road and 32nd Ave., and currently features seven sand volleyball courts and a basketball court, in addition to other park features. The updated Parks and Recreation Master Plan recommends developing Browns Park as a destination sand volleyball complex for our region. To accomplish this, the park will accommodate 17 volleyball courts total, including lit Championship Court. To keep the neighborhood park aspect intact, additional improvements include a slackline course, a basketball court, seven picnic shelters and a splash pad among other standard playground and park features. The first phase of construction began in early 2015 with the construction of seven of the new volleyball courts and the basketball court. In 2016 an additional Championship Court was completed along with a splashpad in 2017 to serve the younger members of our community.

In 2012 the City entered into a 30-year Interlocal Agreement with Spokane County that allows the City to use a portion of the former Milwaukee right-of-way for a multi-use trail and potential linear park. This right-of-way runs along a 6.5 mile path where the City will place what is called the Appleway Trail, which will be a multiuse pathway that will be bordered with greenspace and other features to create a linear park along the entire length of the trail. In 2015 the City completed a one-mile section from University Avenue to Pines Road at a cost of \$1.6 million that was financed entirely from City resources. Subsequent phases will include in 2017 a one-mile segment that runs from Pines Road to Evergreen Road and an additional one-mile segment stretching from Sullivan Road to Corbin Road. We anticipate the entire trail will be completed by 2020 at a total estimated cost of \$8.3 million including \$5.7 million from a variety of grant sources and \$2.6 million of money the City has set aside for this purpose.

There are four at-grade railroad crossings in Spokane Valley, which cause concerns within the City with safety, traffic congestion and economic development. Spokane Valley is currently actively working on securing funding for two of those projects located at Barker Road and Pines Road related to the Burlington Northern Santa Fe Railroad line that runs through the northern half of the City. The crossings at Barker Road and Pines Road represent high congestion areas and are high priority items for both traffic management and safety. The City is planning to work on the design of the Barker Road and Pines Road projects during 2017. The crossings at Sullivan Road and Park Road will be addressed by the City in the future as well.

Acknowledgements

The preparation of the annual financial report was made possible by the dedicated efforts of the entire staff of the finance department and by the cooperation of the other City departments. Each staff member has our sincere appreciation for the contributions made in the preparation of this report. Without their assistance, this report would not have been possible. In closing, we would also like to thank the Spokane Valley City Council and the City Manager for their interest and support of our efforts to improve the City's Comprehensive Annual Financial Report.

Sincerely,

Chelsie Taylor, CPA

Chelsie Taylor, CPA
Finance Director
City of Spokane Valley

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

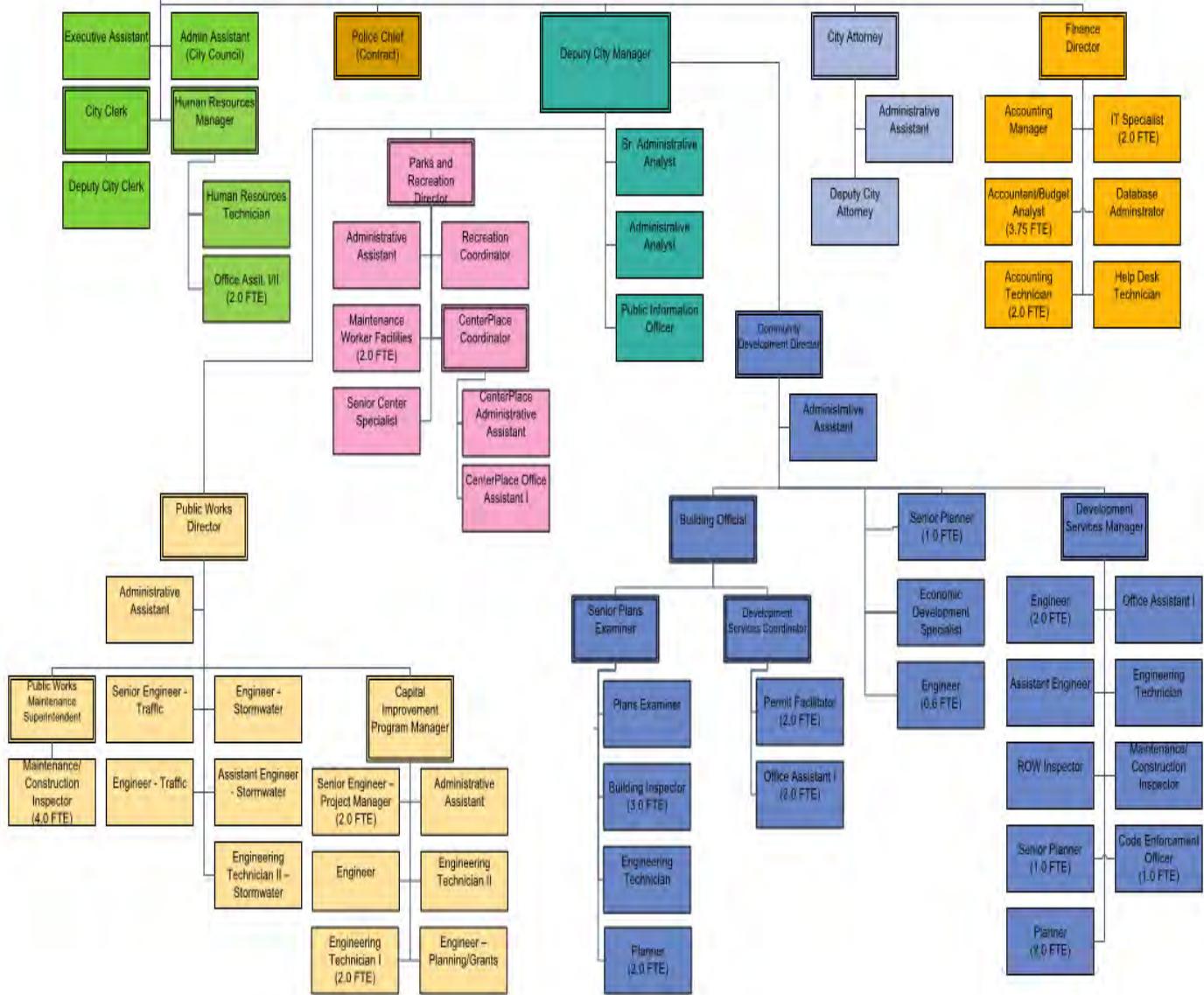
This page is intentionally blank



***City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016***



Organizational Chart



City of Spokane Valley, Washington
List of Elected Officials and Department Directors

December 31, 2016

Elected Officials

Mayor	Position 1	<i>Rod Higgins</i>
Deputy Mayor	Position 3	<i>Arne Woodard</i>
Councilmember	Position 5	<i>Pam Haley</i>
Councilmember	Position 2	<i>Caleb Collier</i>
Councilmember	Position 6	<i>Sam Wood</i>
Councilmember	Position 4	<i>Ed Pace</i>
Councilmember	Position 7	<i>Michael Munch</i>



2016 City Council

I to r (front to back): Deputy Mayor Arne Woodard, Mayor Rod Higgins, Pam Haley, Sam Wood, Caleb Collier, Ed Pace, and Michael Munch

City Manager	Administration Department	Mark Calhoun
City Attorney	Administration Department	<i>Cary Driskell</i>
Community Development Director	Community Development Department	John Hohman
City Clerk	Administration Department	<i>Chris Bainbridge</i>
Finance Director	Finance Department	Chelsie Taylor
Human Resources Manager	Administration Department	John Whitehead
Police Chief	Administration Department	Rick Van Leuven
Parks & Recreation Director	Parks & Recreation Department	Mike Stone
Public Works Director	Public Works Department	Eric Guth
Capital Improvement Program Manager	Public Works Department	Steve Worley
Senior Engineer-Project Manager-CIP	Public Works Department	Craig Aldworth
Senior Engineer-Project Manager-CIP	Public Works Department	Rob Lochmiller
Senior Engineer-Traffic	Public Works Department	Sean Messner
Public Works Maintenance Superintendent	Public Works Department	Shane Art
Senior Engineer-Development Services	Engineering Division	Gabe Gallinger
Senior Planner	Planning Division	Lori Barlow
Senior Planner	Planning Division	Mike Basinger
Building Official	Building Division	Doug Powell
Senior Plans Examiner	Building Division	Jenny Nickerson

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Financial Section

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank





Office of the Washington State Auditor Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

August 3, 2017

Mayor and City Council
City of Spokane Valley
Spokane Valley, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, Spokane County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spokane Valley, Spokane County, Washington, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 18, budgetary comparison information on pages 71 through 72 and pension plan information on pages 73 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as supplementary information on pages 78 through 108 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

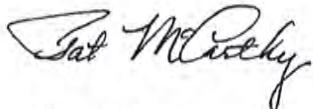
The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated August 3, 2017, on our consideration of the City'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. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



Pat McCarthy

State Auditor

Olympia, WA

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Management's Discussion and Analysis

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



CITY OF SPOKANE VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

As management of the City of Spokane Valley, Washington, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. All amounts in this discussion and analysis, unless otherwise indicated, are expressed in thousands of dollars. Also, this discussion contains comparative analysis based on information from the prior year.

FINANCIAL HIGHLIGHTS

The key financial highlights for 2016 are as follows:

The City of Spokane Valley's financial position improved. At the end of the current fiscal year, assets exceeded liabilities by \$155,160 thousand (*net position*). Of this amount, \$45,205 thousand represents the primary government's unrestricted net position, which may be used and is available to meet the City's ongoing activities and obligations to the citizens and creditors.

The City of Spokane Valley's total net position from Governmental and Business-type activities increased \$10,341 thousand or 7.14% from the prior fiscal year, primarily explained by revenues continuing to outpace expenditures and the current year's increase in the City's Net Investment in capital assets.

At the close of the current fiscal year, the City of Spokane Valley's governmental funds reported combined fund balances of \$56,550 thousand, an increase of \$4,869 thousand in comparison with the prior year. Approximately 61.35% of this amount or \$34,695 thousand (*unassigned fund balance*) is available for spending at the City's discretion.

Also, at the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of *fund balance*) for the general fund was \$34,695 thousand, or approximately 96.27% of the total general fund expenditures, and the net change in actual fund balance increased by \$3,050 thousand during the current fiscal year.

Total Long-term liabilities for Governmental type activities increased by \$8,528 thousand to \$20,902 thousand during the current fiscal year; primarily due to the issuance of bonds to finance the construction of a new City Hall building.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the City as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions. The following discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The following figure summarizes the major features of the financial statements. This overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statement	Fund Financial Statements	
		Governmental	Proprietary
Scope	Entire entity (except fiduciary funds)	The day to day operating activities of the City for basic governmental services	The day to day operating activities of the City for business-type enterprises
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues when cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements are designed to provide readers with a broad overview of the City of Spokane Valley's finances, in a manner similar to a private-sector business.

Statement of Net Position and Statement of Activities

The *statement of net position* presents financial information on all of the City's assets, liabilities, and *deferred inflows/outflows of resources*, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement distinguishes revenue generated by specific functions, from revenue provided by taxes and other sources not related to a specific function. Revenue generated by specific functions (charges for services, fines and forfeitures, grants and other contributions) is compared to the expenses for those functions to demonstrate how much each function either supports itself or relies on taxes and other general funding sources for support.

The change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished in capacity. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated. *These government-wide financial statements can be found in the Basic section of this annual financial report.*

In the statement of net position and the statement of activities, the City of Spokane Valley is divided into two distinct functions or types of *primary government*:

- ◆ **Governmental-type Activities** – Most of the City's programs and services are reported here, including general government, public safety, physical environment, transportation, economic environment, community development, and culture & recreation. These services are funded and supported primarily by taxes and intergovernmental revenues, including federal and state grants, and other shared revenues.
- ◆ **Business-type Activities** – These services are provided on a charge for goods or user fee services basis to recover all or a significant portion of the cost of services provided; including State Grants. The City's Stormwater Utility Management Fund and Aquifer Protection Area Fund activity is reported here.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, and a fiscal accounting entity with a self-balancing set of accounts used to account for specific activities. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental fund types, and proprietary fund types. Fund financial statements provide detailed information about the City's major funds. Based on the restriction of the use of resources and money, the City has established many funds that account for the multitude of services provided to our residents.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as *governmental activities* on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-one individual governmental funds. Information on the City's four major governmental funds; General Fund, Street Fund, Street Capital Projects Fund and City Hall Construction Fund are presented separately in the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. *Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. These basic governmental fund financial statements can be found in the Basic section of this report.*

Proprietary Funds – The City of Spokane Valley maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Enterprise funds are used to account for goods and services provided to the citizens on a user fee basis. The City provides information on its two enterprise funds, the Stormwater Utility Management Fund and the Aquifer Protection Area Fund, both major funds, under Proprietary Funds.

The City's two *Internal Service Funds*; Equipment Rental and Replacement and Risk Management accounts for the accumulated and allocated internal costs of fleet vehicles, computer equipment, and insurance claims. Also, both provide internally for the goods and services among the City's various departments and functions. Because both of these services predominantly benefit governmental-type functions rather than business-type functions in nature, they have been included within *governmental-type activities* in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules for other governmental and internal service funds. This information can be found in the supplemental section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of net position – As noted earlier, net position over time, may serve as a useful indicator of the City of Spokane Valley's financial position. The City's total assets exceeded total liabilities by \$155,160 thousand as of December 31, 2016. The following table summarizes and compares the City's net position for 2016 and 2015 (see *Table 1, below*):

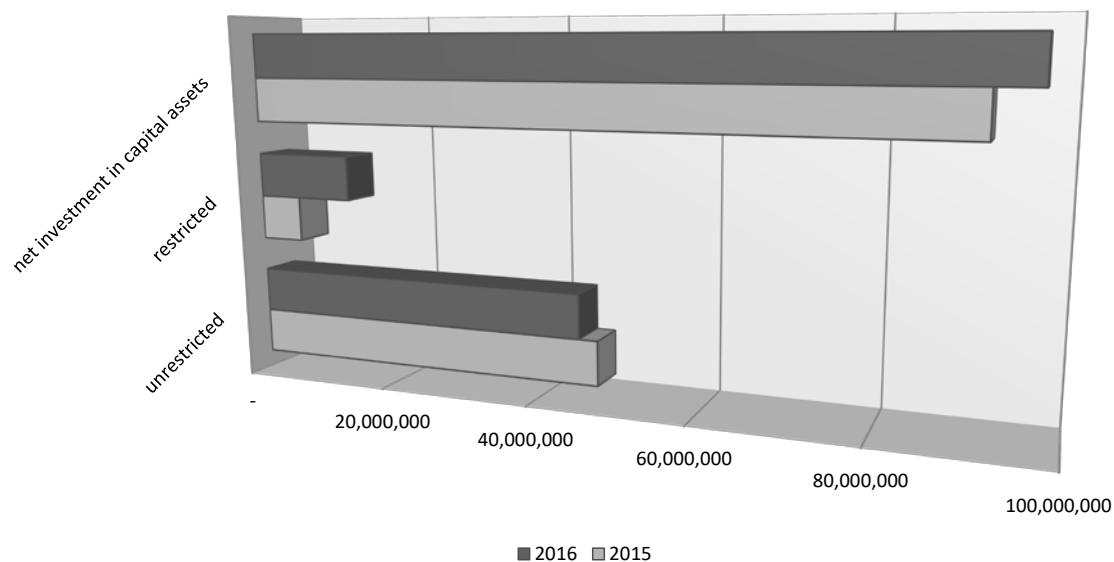
City of Spokane Valley's Net Position (amounts in thousands)						
<i>Table 1</i>	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2016	2015
Current and other assets	\$ 68,938	\$ 69,167	\$ 3,285	\$ 3,114	\$ 72,223	\$ 72,281
Capital assets (net of depreciation)	104,822	92,167	6,356	6,275	111,178	98,442
Total assets	173,760	161,334	9,641	9,389	183,401	170,723
Total deferred outflows of resources	1,023	611	54	31	1,077	642
Long-term liabilities	20,902	12,374	343	249	21,245	12,623
Other liabilities	7,664	12,823	277	295	7,941	13,118
Total liabilities	28,566	25,197	620	544	29,186	25,741
Total deferred inflows of resources	125	766	7	39	132	805
Net position:						
Net investment in capital,						
assets	90,361	85,200	6,356	6,275	96,717	91,475
Restricted	13,238	5,731	-	-	13,238	5,731
Unrestricted	42,493	45,051	2,712	2,562	45,205	47,613
Total net position	\$ 146,092	\$ 135,982	\$ 9,068	\$ 8,837	\$ 155,160	\$ 144,819

In this case, as of December 31, 2016, the Primary Government's assets exceeded liabilities by \$146,092 thousand in governmental activities and \$9,068 thousand in business type activities. The largest portion of the City's net position, at 62.33%, is its investment in capital assets of \$96,717 thousand. This represents land and land improvements, buildings and building improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure, less any related outstanding debt that was used to acquire those assets. The City of Spokane Valley uses these capital assets to provide a variety of services to its citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this

debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The majority of these capital assets were donated by Spokane County at the time of incorporation in 2003. The portion of the City of Spokane Valley's net position classified as restricted are resources that are subject to external restrictions on how they may be used. At \$13,238 thousand and 8.53% of total net position this is the smallest share of the City's net position. The remaining balance of \$45,205 thousand or 29.13% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Spokane Valley's Net Position December 31, 2016 and 2015



The City of Spokane Valley's total net position has increased by \$10,341 thousand or 7.14% from the prior year. This is primarily explained by revenues outpacing expenditures. More discussion will follow for the overall increase in net position in the sections for governmental-type and business-type activities.

Governmental-type Activities – During the current fiscal year total net position for governmental activities increased by \$10,110 thousand from the prior year for an ending balance of \$146,092 thousand. The increase in the overall net position of governmental activities is the result of management taking various steps (e.g., increasing rates for certain revenue sources like charges for services, delaying certain nonrecurring expenses, and reducing expenses related to non-essential ongoing programs in the utilities & physical environment and community development functions) to achieve such positive effects on the governmental activities ending net position. The City's capital grants and operating grants and contribution revenues from Federal and State sources made up the fourth largest sources of revenue combined, \$8,149 thousand or 13.85% of total governmental activities revenues. The major recipients of intergovernmental program revenues were, Transportation, Utilities and Physical Environment, and General Government functions of the primary government. Property tax general revenues in the governmental funds account for \$11,430 thousand of the \$58,825

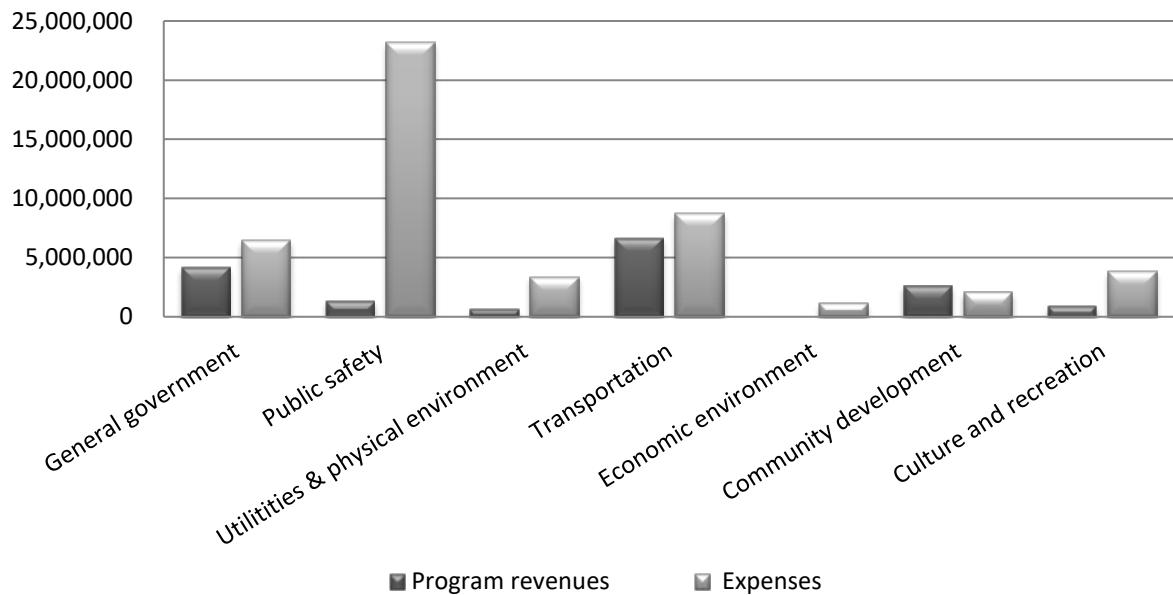
thousand total revenues (less transfers) for governmental-type activities, or 19.43% of total revenues, and the property tax general revenues increased by \$155 thousand. Sales Tax general revenue accounted for approximately \$22,583 thousand or 38.39% of total revenues in year 2016, the largest single source of revenue for the City of Spokane Valley. Excise and other taxes received were Real Estate Excise Taxes of \$2,354 thousand, Liquor Board Excise Tax of \$442 thousand, Telephone Utility Tax of \$2,069 thousand, Leasehold Excise Taxes of \$10 thousand, Gambling Taxes of \$372 thousand, Hotel/Motel Taxes of \$977 thousand and Motor Fuel Excise Taxes of \$2,002 thousand.

The Transportation function accounted for \$8,740 thousand of the \$48,729 thousand in total expenses for governmental activities, or 17.94% of the total in expenses. The largest function was Public Safety, accounting for \$23,173 thousand and representing 47.55% of total governmental expenses and an increase of 4.65% in contracted Law Enforcement services compared to the prior year (*see table 2, below*).

Table 2 City of Spokane Valley's Changes in Net Position
as of December 31, 2016 and 2015 (amounts in thousands)

Revenues	Governmental Activities		Business-type Activities		Total		% Change
	2016	2015	2016	2015	2016	2015	
Program revenues							
Charges for services	\$ 8,192	\$ 6,439	\$ 1,898	\$ 1,861	\$ 10,090	\$ 8,300	21.6%
Operating grants & contributions	1,254	495	450	584	1,704	1,079	57.9%
Capital grants & contributions	6,895	9,487	-	1,410	6,895	10,897	-36.7%
General revenues							
Taxes	42,237	39,858	-	-	42,237	39,858	6.0%
Other	248	99	10	2	258	101	155.4%
Total revenues	58,826	56,378	2,358	3,857	61,184	60,235	1.6%
Expenses							
General government	6,129	4,771	-	-	6,129	4,771	28.5%
Public safety	23,173	22,143	-	-	23,173	22,143	4.7%
Utilities & physical environment	3,368	4,942	-	-	3,368	4,942	-31.8%
Transportation	8,740	6,294	-	-	8,740	6,294	38.9%
Economic environment	1,122	882	-	-	1,122	882	27.2%
Community development	2,039	2,071	-	-	2,039	2,071	-1.5%
Culture and recreation	3,841	3,674	-	-	3,841	3,674	4.5%
Interest on long term debt	317	239	-	-	317	239	32.6%
Aquifer protection area	-	-	154	125	154	125	23.2%
Stormwater management	-	-	1,960	1,935	1,960	1,935	1.3%
Total expenses	48,729	45,016	2,114	2,060	50,843	47,076	8.0%
Increase (decrease) in net position before transfers	10,097	11,362	244	1,797	10,341	13,159	-21.4%
Transfers In (out)	13	13	(13)	(13)	-	-	0.0%
Increase (decrease) in net position	10,110	11,375	231	1,784	10,341	13,159	-21.4%
Net position - beginning	135,982	129,862	8,837	7,317	144,819	137,179	
Change in Accounting Principle	-	(5,255)	-	(264)	-	(5,519)	
Net position - ending	\$ 146,092	\$ 135,982	\$ 9,068	\$ 8,837	\$ 155,160	\$ 144,819	

Program Revenues and Expenses - Governmental Activities



Transportation activity capital grants decrease in the current year by \$1,982 thousand primarily due to the Sullivan Bridge construction project grants, which were a major portion of activity in the prior year, being consumed. This resulted in a higher percentage of City funds being used for the large project as we moved nearer to completion. These contributions are used to fund the on-going general government capital outlays of \$18,903 thousand, or 31.11% of the total for governmental funds expenditure activity (*see the preceding graph*).

Business-type Activities – For the City of Spokane Valley’s business-type activities, the results for the current fiscal year were positive in that the overall net position increased to reach an ending balance of \$9,068 thousand. The increase in net position for business-type activities (stormwater and aquifer protection funds) was \$231 thousand from the prior fiscal year. This is an increase in net position of 2.62% from the prior fiscal year. The increase in fund balance is indicative of revenues continuing to exceed expenditures. Overall, revenues for the business type activities were down compared to the previous year. In 2016 there were no capital grants or contributions compared to \$1,410 thousand in 2015. Additionally, operating grants and contributions decreased by an additional \$134 thousand. Charges for services remained fairly stable with a modest increase of \$37 thousand from 2015. Expenditures did show increase of \$53 thousand for 2016 total. In both business-type funds, the major program revenue sources were *charges for services* of \$1,898 thousand and *intergovernmental revenues* of \$450 thousand. The primary source of revenues is a Stormwater Management Fee imposed upon real property and the Aquifer Area Protection Fee mandated by the voting public.

FINANCIAL ANALYSIS OF THE CITY OF SPOKANE VALLEY'S FUNDS

As noted earlier, the City of Spokane Valley uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental Funds - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year and represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City of Spokane Valley itself, or from a group or individual that has delegated authority to assign these resources to be used for particular purposes by the City of Spokane Valley's Council.

As of December 31, 2016, the City's total governmental funds reported a combined ending fund balance of \$56,550 thousand, a net increase of \$4,869 thousand in comparison with the prior year. Approximately 61.35% of this amount or \$34,695 thousand is composed of *unassigned fund balance*, which is available for spending at the City's discretion. The City's remainder or residual fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not spendable in form (\$87 thousand), 2) restricted for particular purposes (\$13,150 thousand), 3) committed for particular purposes (\$237 thousand), or 4) assigned for particular purposes (\$8,381 thousand) *See table 4, below.*

The General Fund is the *primary operating governmental fund* of the City of Spokane Valley where most receipts and payments of ordinary city operations are processed. *See table 3, below.*

General Fund Components of Fund Balance
December 31, 2016 & 2015 (amounts in thousands)

Table 3

	Fiscal Year	
	2016	2015
Unassigned	\$ 34,695	\$ 31,652
Assigned	-	-
Restricted	80	24
Nonspendable	82	131
Total fund balances	\$ 34,857	\$ 31,807

At the end of 2016, unassigned fund balance was \$34,695 thousand, while total fund balance increased to \$34,857 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental funds expenditures. Unassigned fund balance in the general fund represents approximately 57.11% of the total governmental funds expenditures, while total general fund balance of \$34,857 thousand represents approximately 57.37% of that same amount in total governmental funds expenditures *See table 3.*

All Remaining Governmental Funds Components of Fund Balance
December 31, 2016 & 2015 (amounts in thousands)

Table 4

	Fiscal Year	
	2016	2015
Unassigned	\$ -	\$ -
Assigned	8,381	13,854
Committed	237	444
Restricted	13,070	5,557
Nonspendable	5	19
Total fund balances	\$ 21,693	\$ 19,874

Major Governmental Funds

The General Fund – The fund balance of the City of Spokane Valley's general fund increased by \$3,050 thousand, compared to last year, for the fiscal year ending December 31, 2016. In the Budget to Actual Schedule, revenues trended higher than expected in the 2016 budget by \$3,008 thousand, while the total expenditures were \$2,785 thousand (including transfers out) less than the amended budget. Ultimately, the General Fund in the Governmental funds statement reports an increase in excess of revenues over expenditures, positive variance with final budget over of \$5,793 thousand compared to the last fiscal year of 2015 of \$4,439 thousand.

The Street Fund – had an ending actual fund balance of \$1,319 thousand, a net change in fund balance of (\$125) thousand compared to the prior year. The primary source of revenues for the Street fund is the Telephone Utility taxes of \$2,069 thousand and the Motor Vehicle Gas tax of \$2,006 thousand. The change from the prior year was approximately -8.32% for Telephone Utility taxes and 3.62% for Motor Vehicle Gas tax. Expenditures (including transfers out) outpaced revenues, which contributed to the slight decrease in ending fund balance compared to last year.

Street Capital Projects Fund – had an ending fund balance of \$76 thousand. Actual expenditures were \$3,575 thousand less than the final budgeted projections. Overall, the net change in fund balance was greater than the final budgeted projections.

City Hall Construction Fund – had an ending fund balance of \$6,148 thousand. Actual expenditures were \$777 thousand less than final budget projections. The net change in fund balance was \$804 thousand more than budgeted.

Proprietary Funds - The City's enterprise funds, **Stormwater Management** and **Aquifer Protection Area** provide the same type of information found in the government-wide financial statements, and are also *major proprietary funds*. Unrestricted net position of the Stormwater Management Fund at December 31, 2016, was \$1,761 thousand and for the Aquifer Area Protection fund was \$951 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget: By State law, Title 35A of the Revised Code of Washington (RCW) requires all cities to prepare and adopt a balanced budget prior to the beginning of the City's fiscal year; the annual operating budget for the City is effective the first day of January. The City Council amended the original budget revenue and expenditures twice during 2016.

Final budget compared to actual results: The most significant differences between final estimated revenues and actual revenues were as follows:

2016 Budget to Actual Comparison

(amounts in thousands)

Revenue Source	Final Estimated		Actual Revenues	Difference
	Revenues	Revenues		
Taxes	\$ 32,717	\$ 34,237	\$ 1,519	
Licenses and permits	2,234	3,115	881	
Intergovernmental revenues	2,118	2,261	143	
Charges for services	1,255	1,633	378	
Fines & forfeitures	571	479	(92)	
Investment Interest	45	158	113	
Miscellaneous	735	800	65	
	<u>\$ 39,675</u>	<u>\$ 42,682</u>	<u>\$ 3,008</u>	

In the General Fund, the variance between actual expenditures and the final amended budget was a savings in expenditures of \$2,776 thousand giving the City a positive variance in excess of revenues over expenditures of \$5,784 thousand for 2016. Actual negative revenue variance in fines and forfeitures of \$92 thousand coupled with revenue increases in tax revenue of \$1,519 thousand, licenses and permits of \$881 thousand, intergovernmental revenues of \$143 thousand, charges for goods and services of \$378 thousand and investment interest of \$113 thousand paired with a positive variance in revenues over expenditures contributed overall to an increase in fund balance of \$3,050 thousand for the fiscal year of 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City of Spokane Valley's investment in capital assets for its governmental and business type activities as of December 31, 2016, amounts to \$111,178 thousand (net of depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and construction in progress. The total increase in the city's investments in capital assets for the current fiscal year was \$12,736 thousand or 12.9% (*see table 5, following*).

Table 5:	City of Spokane Valley's Capital Assets (net of depreciation, amounts in thousands)							
	Governmental Activities		Business-type Activities		Total		Total % Change	
	2016	2015	2016	2015	2016	2015	2016-2015	
Land	\$ 8,323	\$ 8,079	\$ -	\$ -	\$ 8,323	\$ 8,079	3.0%	
Buildings	8,777	9,098	310	323	9,087	9,421	-3.5%	
Improvements other than Buildings	6,814	7,166	-	-	6,814	7,166	-4.9%	
Infrastructure	65,834	56,809	5,936	5,842	71,770	62,651	14.6%	
Machinery and Equipment	911	589	27	27	938	616	52.3%	
Construction in Progress	14,163	10,426	83	83	14,246	10,509	35.6%	
Total	\$ 104,822	\$ 92,167	\$ 6,356	\$ 6,275	\$ 111,178	\$ 98,442	12.9%	

Major capital asset events during the current fiscal year included the following:

- A 3.0% increase in land totaling \$244 thousand is the result of purchases to facilitate current or planned improvements to the City's road network.
- Construction in Progress increased by 35.6% or \$3,737 thousand due to the continuation of major infrastructure improvements as well as the construction beginning on the new City Hall building scheduled to open in the third quarter of 2017.
- There was a total of increase of 52.3% or \$322 thousand in Machinery and Equipment for fiscal year 2016 due to the purchase of various pieces of equipment.
- Infrastructure increased 14.6% or \$9,119 thousand for 2016 due mostly to the completion of several street construction and street preservation projects.
- Overall change in capital assets for 2016 increased by 12.9% compared to the prior year of 2015.

Additional information on the City's capital assets can be found in Note 5 (Capital Assets) to the financial statements.

Long-Term Liabilities – At December 31, 2016, the City had total Limited Tax General Obligation debt outstanding of \$13,260 thousand. This amount is backed by the full faith and credit of the City of

Spokane Valley with debt service funded by general government revenues and contributions from the Public Facilities District. The City's general obligation bonds increased by \$6,885 thousand or 108.0% during fiscal year 2016, due to the issuance of LTGO '16 bonds to fund the construction of the new City Hall building. (*See table 6, below*).

Table 6

City of Spokane Valley's Outstanding Debt
(amounts in thousands)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
General obligation bonds	\$ 13,260	\$ 6,375	\$ -	\$ -	\$ 13,260	\$ 6,375	108.0%
Bond premium	1,201	591	-	-	1,201	591	103.2%
Compensated absences	492	439	27	23	519	462	12.3%
Net pension plan liabilities (GASB 68)	5,949	4,969	316	249	6,265	5,218	20.1%
Total	\$ 20,902	\$ 12,374	\$ 343	\$ 272	\$ 21,245	\$ 12,646	68.0%

In addition to the general obligation bonded debt and premium, the City's long-term liabilities also include compensated absences (vacation accruals) and net pension liabilities. Additional information on the City's long-term debt can be found in **Note 9 (Long-Term Obligations and Leases)** in the notes to the financial statements.

Under Washington State statutes, general obligation indebtedness for general purposes is pursuant to a vote of the electorate and is limited to 2.5% of actual value of taxable property located within the City of Spokane Valley. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness, cannot exceed 2.5% of assessed valuation.

The 2015 assessed valuation of the City of Spokane Valley for the levy year of 2016, for purposes of determining the legal debt margin is \$7,748,275 (in thousands). Remaining debt capacities for the City under general voted and non-voted purposes (2.5%) is limited to: \$179,955 (in thousands).

The City of Spokane Valley maintains an Aa2 rating from Moody's for its non-voted general obligation debt. Additional information regarding debt limitations and capacities can be found in **Note 9 (Legal Debt Margin)** in the notes to the financial statements.

ECONOMIC FACTORS

The following economic factors currently affect the City of Spokane Valley and were considered in developing the 2016-2017 fiscal year budgets.

The outlook for the City of Spokane Valley economy was projected based on statistics generated in Spokane County. There is estimated to be over 5,200 businesses located in Spokane Valley with estimated taxable retail sales of \$2.3 billion for 2016. The City of Spokane Valley received \$22,583 thousand, an increase of \$1,855 thousand from the prior year, in general sales tax dollars for 2016.

Overall, Spokane County gained about 6,800 jobs in 2016. The current year's increase in jobs left the county with an estimated average of 219,653 jobs for the year, which continues to lag behind the peak year of 2008 with 224,950 jobs. This builds on the 3,400 positions from 2015 and brings the County's area wide unemployment rate to down an additional 0.3% to 6.5%. Spokane County's fastest growing non-farm employment sector is professional services, followed closely by construction, which had continually been the fastest growing sector. These sectors are predicted to grow the most through

2019. Population growth has been steady within the City of Spokane Valley, increasing to 94,160 and growing 4.9% since 2010.

The total number of single family residential building permits in the Spokane County area-wide region (including the City of Spokane and the City of Spokane Valley) increased to 1,274 in 2016, from 1,125 issued in 2015. Additionally, total 2016 nonresidential building permits issued by the City of Spokane Valley were 593 compared to 545 in 2015.

The Real Estate market continues its upswing from the most recent low of 2011. Spokane County home sales have increased to 7,572. With an average selling price of \$212,144, single family home sale prices are at the highest over the past 14 years with 2007 being the previous high at \$211,872. For the median price of a home in the Spokane metropolitan area was approximately \$207,200 in 2016, which is roughly \$28,300 lower than the U.S. median price of \$235,500.

The City of Spokane Valley's assessed value increased 4.8% to 7.7 billion in 2016. The City's property tax levy rate for 2016 was near \$1.483 per thousand of assessed value.

The City of Spokane Valley contracts with Spokane County and several public service districts for many city services including street maintenance, public safety, library, and fire protection. This allows the City to hold the number of full-time employees to 87.40. Employee salaries and related benefits are the leading cost for much of the city's operations. In a 2015 study, a comparison of 31 cities with a populations of 100,000 or less was conducted within the State of Washington and the City of Spokane Valley had the fewest number of employees based on Washington cities with a population greater than 50,000 and over.

No significant general fund tax increases were implemented in 2016. Beginning April 1, 2017 the local sales tax rate will increase by 0.1%. This will have the effect of increasing the total sales tax rate to 8.8%. The telephone utility tax of 6% continues to be collected during 2016 in the City's Street Fund.

During the fiscal year of 2016, unassigned fund balance in the general fund was \$34,695 thousand. As noted in the City of Spokane Valley's 2017 budget document, the total recurring 2017 general fund expenditure budget is \$40,054 thousand as compared to \$39,707 thousand in 2016. This means that the general fund recurring expenditure budget only increased by 0.87% as compared to 2016. The 2017 budget presumes service levels that are consistent with those provided in 2016 with neither significant enhancements nor reductions in any area of operations.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Spokane Valley's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Spokane Valley
Finance Department
Chelsie Taylor, Finance Director
11707 E. Sprague Ave.
Suite 106
Spokane Valley, Washington 99206.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Basic Financial Statements

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Statement of Net Position
December 31, 2016

	Primary Government		
	Governmental		Business-type
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 56,663,297	\$ 3,132,507	\$ 59,795,804
Taxes receivable	5,367,896	34,747	5,402,643
Taxes delinquent-receivable	137,951	19,365	157,316
Accounts receivable, (net)	1,794,403	-	1,794,403
Interest receivable	24,487	1,367	25,854
Grants receivable	2,315,027	96,825	2,411,852
Due from other funds	2,548,500	-	2,548,500
Prepaids	86,884	74	86,958
Capital Assets:			
Land	8,322,766	-	8,322,766
Depreciable assets, (net)	82,335,594	6,273,009	88,608,603
Construction in progress	14,163,091	83,158	14,246,249
Total Assets	<u>\$ 173,759,896</u>	<u>\$ 9,641,052</u>	<u>\$ 183,400,948</u>
DEFERRED OUTFLOWS OF RESOURCES			
<i>Pension plans contributions</i>	1,022,715	54,394	1,077,109
Total deferred outflows of resources	<u>1,022,715</u>	<u>54,394</u>	<u>1,077,109</u>
LIABILITIES			
Accounts payable	\$ 2,707,695	\$ 45,514	\$ 2,753,209
Interest payable	-	-	-
Due to other funds	2,548,500	-	2,548,500
Deposits and other payables	1,632,619	80,525	1,713,144
Other accrued liabilities	775,160	23,680	798,840
Unearned revenues	-	127,984	127,984
Long-term liabilities:			
Due within one year	584,958	3,572	588,530
Due in more than one year	14,368,351	22,830	14,391,181
Net pension plan liabilities 2016	5,948,746	316,389	6,265,135
Total Liabilities	<u>28,566,029</u>	<u>620,494</u>	<u>29,186,523</u>
DEFERRED INFLOWS OF RESOURCES			
<i>Diff. between expected & actual pension plan earnings</i>	124,893	6,642	131,535
Total deferred inflows of resources	<u>124,893</u>	<u>6,642</u>	<u>131,535</u>
NET POSITION			
Net Investment in capital assets	90,360,388	6,356,168	96,716,556
Restricted for:			
Capital projects, REET, roads & streets, solid waste	8,560,170	-	8,560,170
Parks & recreation programs	60,075	-	60,075
Hotel/motel tourism facilities	219,790	-	219,790
Hotel/motel tourism promotion	571,232	-	571,232
Comcast PEG, communications	240,341	-	240,341
Law enforcement grants	50,234	-	50,234
Debt service LTGO bonds	3,385,812	-	3,385,812
Trails & paths	37,384	-	37,384
HRA AWC	25,905	-	25,905
Prepaid expenses	86,884	-	86,884
Unrestricted	42,493,474	2,712,142	45,205,616
Total Net Position:	<u>146,091,689</u>	<u>9,068,310</u>	<u>155,159,999</u>

City of Spokane Valley, Washington
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total			
Primary government:										
Governmental activities:										
General government	\$ 6,128,669	\$ 3,126,343	\$ 1,081,126	\$ (13,335)	\$ (1,934,535)	\$ -	\$ (1,934,535)			
Public safety	23,172,826	1,318,105	25,628	-	(21,829,093)	-	(21,829,093)			
Utilities and physical environment	3,368,262	222,037	85,713	305,187	(2,755,325)	-	(2,755,325)			
Transportation	8,740,235	211,158	12,066	6,422,912	(2,094,099)	-	(2,094,099)			
Economic environment	1,121,904	-	-	-	(1,121,904)	-	(1,121,904)			
Community development	2,039,438	2,632,032	-	-	592,594	-	592,594			
Culture and recreation	3,840,696	681,823	49,745	179,961	(2,929,167)	-	(2,929,167)			
Interest on long-term debt	317,292	-	-	-	(317,292)	-	(317,292)			
Total governmental activities	48,729,322	8,191,498	1,254,278	6,894,725	(32,388,821)	-	(32,388,821)			
Business-type activities:										
Aquifer protection area	153,774	-	388,590	-	-	234,816	234,816			
Stormwater management	1,959,701	1,898,210	61,403	-	-	(88)	(88)			
Total business-type activities	2,113,475	1,898,210	449,993	-	-	234,728	234,728			
Total primary government	\$ 50,842,797	\$ 10,089,708	\$ 1,704,271	\$ 6,894,725	(32,388,821)	234,728	(32,154,093)			
General revenues:										
Taxes:										
Property taxes				11,429,677	-	11,429,677				
Sales and use taxes				22,582,642	-	22,582,642				
Excise taxes				4,807,246	-	4,807,246				
Other taxes				3,417,540	-	3,417,540				
Interest and investment earnings				247,546	10,279	257,825				
Transfers										
				13,400	(13,400)	-				
Total general revenues and transfers				42,498,051	(3,121)	42,494,930				
Change in net position										
Net position--beginning of year				10,109,230	231,607	10,340,837				
Net position--ending				135,982,459	8,836,703	144,819,162				
				\$ 146,091,689	\$ 9,068,310	\$ 155,159,999				

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Balance Sheet

Governmental Funds

December 31, 2016

	General Fund	Street Fund	Street Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 33,666,708	\$ 1,637,770	\$ 436,221
Taxes receivable	4,769,194	471,012	-
Accounts receivable, (net)	1,395,001	115,553	232,768
Interest receivable	13,568	593	-
Due from other funds	548,500	-	-
Grants receivable	50,234	6,050	1,845,568
Prepays	82,019	4,625	-
Total Assets	\$ 40,525,224	\$ 2,235,603	\$ 2,514,557
Liabilities			
Liabilities:			
Accounts payable	1,034,919	536,226	400,000
Accrued wages and benefits payable	675,081	69,902	20,022
Go bonds payable - current	-	-	-
Interest payable	-	-	-
Due to other funds	-	-	1,700,000
Deposits and other payables	1,137,652	-	-
Retainage payable	38,325	59,352	87,056
Unearned revenues	2,781,850	251,619	231,913
Total Liabilities	5,667,827	917,099	2,438,991
Fund Balances:			
Nonspendable:			
Prepaid expenses	\$ 82,019	\$ 4,625	\$ -
Restricted for:			
Comcast PEG contributions	-	-	-
HRA AWC	25,905	-	-
Parks & recreation grants	4,374	-	-
Law enforcement JAG & ARRA grants	50,234	-	-
Solid Waste activities grants	-	-	-
Fema grants - Windstorm recovery 2015	-	-	-
Hotel/motel tourism facilities	-	-	-
Hotel/motel tourism promotion	-	-	-
Motor vehicle fuel tax roads & streets	-	1,313,879	-
New City Hall Bldg - 2016	-	-	-
Debt service LTGO bonds	-	-	-
Street capital improvements p&m	-	-	75,566
Trails & paths	-	-	-
Capital projects REET 1&2 roads & streets	-	-	-
Committed to:			
Winter weather operations	-	-	-
Assigned to:			
Civic bldg capital replacement	-	-	-
Civic facilities capital replacement	-	-	-
Parks & recreation capital improvements	-	-	-
Street capital improvements p&m	-	-	-
Solid waste services	-	-	-
Unassigned	34,694,865	-	-
Total Fund Balances	34,857,397	1,318,504	75,566
Total Liabilities and Fund Balances	\$ 40,525,224	\$ 2,235,603	\$ 2,514,557

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Balance Sheet

Governmental Funds

December 31, 2016

	City Hall Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,027,638	\$ 13,522,830	\$ 55,291,167
Taxes receivable	-	265,641	5,505,847
Accounts receivable, (net)	-	51,081	1,794,403
Interest receivable	3,039	6,709	23,909
Due from other funds	1,000,000	1,000,000	2,548,500
Grants receivable	-	413,175	2,315,027
Prepays	-	240	86,884
Total Assets	\$ 7,030,677	\$ 15,259,676	\$ 67,565,737
Liabilities			
Liabilities:			
Accounts payable	617,017	117,464	2,705,626
Accrued wages and benefits payable	-	10,155	775,160
Go bonds payable - current	-	-	-
Interest payable	-	-	-
Due to other funds	-	848,500	2,548,500
Deposits and other payables	-	-	1,137,652
Retainage payable	265,599	44,635	494,967
Unearned revenues	-	88,417	3,353,799
Total Liabilities	882,616	1,109,171	11,015,704
Fund Balances:			
Nonspendable:			
Prepaid expenses	\$ -	\$ 240	\$ 86,884
Restricted for:			
Comcast PEG contributions	-	240,341	240,341
HRA AWC	-	-	25,905
Parks & recreation grants		49,416	53,790
Law enforcement JAG & ARRA grants		-	50,234
Solid Waste activities grants		26,399	26,399
Fema grants - Windstorm recovery 2015		6,285	6,285
Hotel/motel tourism facilities	-	219,790	219,790
Hotel/motel tourism promotion	-	571,232	571,232
Motor vehicle fuel tax roads & streets	-	-	1,313,879
New City Hall Bldg - 2016	2,766,298	-	2,766,298
Debt service LTGO bonds	3,381,763	4,049	3,385,812
Street capital improvements p&m	-	331,075	406,641
Trails & paths	-	37,384	37,384
Capital projects REET 1&2 roads & streets	-	4,046,953	4,046,953
Committed to:			
Winter weather operations	-	236,550	236,550
Assigned to:			
Civic bldg capital replacement	-	1,333,159	1,333,159
Capital reserve improvements (city wide)	-	4,310,362	4,310,362
Parks & recreation capital improvements	-	62,298	62,298
Street capital improvements p&m	-	2,622,489	2,622,489
Solid waste services	-	52,483	52,483
Unassigned	-	-	34,694,865
Total Fund Balances	6,148,061	14,150,505	56,550,033
Total Liabilities and Fund Balances	\$ 7,030,677	\$ 15,259,676	\$ 67,565,737

City of Spokane Valley, Washington
Reconciliation of the Balance sheet of Governmental Funds
To the Statement of Net Position
December 31, 2016

Total governmental fund balances: \$56,550,033

*Amounts reported for governmental activities in the statement
of net position are different because:*

Capital assets used in governmental activities are not financial resources.

This amount reflects the initial investment in capital assets and are not reported in the funds.

104,821,451

Certain earned tax revenues will be collected after year end and will not be available until after year end to pay for current expenditures; and therefore reported as unearned revenues in the funds.

These revenues consist of:

Sales and use taxes	2,252,963
Motor fuel taxes	150,654
Hotel/Motel taxes	<u>44,949</u>
Total	2,448,566

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unearned in the funds:

Property taxes	330,696
Intergovernmental	361,163
Charges for services	81,368
Miscellaneous	<u>132,006</u>
Total	905,233

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Internal service funds are used by management to charge the cost of certain activities, such as equipment rental and self insurance, to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

1,370,639

Long-term liabilities, including capital leases payable, accrued interest payable, deferred inflows and outflows, and GASB68 net pension liabilities (NPL) are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(13,260,000)
Net pension liabilities	(5,948,746)
Deferred inflows of resources	(124,893)
Deferred outflows of resources	1,022,715
Premium on bond issuance	(1,201,063)
Compensated Absences	<u>(492,246)</u>
Total	<u>(20,004,233)</u>

**Total Net position of Governmental Activities as shown
on the Statement of Net Position:**

\$146,091,689

City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	General Fund	Street Fund	Street Capital Projects Fund
Revenues			
Taxes	\$ 34,236,548	\$ 2,069,347	\$ -
Licenses and permits	3,115,336	-	-
Intergovernmental	2,260,647	2,113,445	4,951,033
Charges for services	1,632,688	56,035	-
Fines and forfeitures	478,617	-	-
Investment interest	158,446	5,886	28
Miscellaneous	800,139	59,614	151,600
Total Revenues	42,682,421	4,304,327	5,102,661
Expenditures			
Current:			
General government	5,017,096	-	-
Public safety	23,106,828	-	-
Utilities and physical environment	2,039,914	152,649	-
Transportation	-	4,103,179	163,548
Economic environment	596,718	-	-
Community development	2,039,438	-	-
Culture and recreation	2,851,274	-	-
Debt Service:			
Principal retirement	-	-	-
Interest expense	624	-	-
Bond issuance costs	-	-	-
Capital Outlay:			
Capital expenditures	387,002	66,030	73,422
Construction in progress	-	-	7,670,329
Total Expenditures	36,038,894	4,321,858	7,907,299
Excess of Revenues Over (Under) Expenditures	6,643,527	(17,531)	(2,804,638)
Other Financing Sources (Uses)			
Transfers In	322,259	-	2,804,666
Transfers (out)	(3,915,622)	(107,042)	-
Bonds issued, par value	-	-	-
Bonds issued, premium	-	-	-
Total Other Financing Sources (Uses)	(3,593,363)	(107,042)	2,804,666
Net Change in Fund Balances (<i>deficit</i>)	3,050,164	(124,573)	28
Fund Balances Beginning of Year	31,807,233	1,443,077	75,538
Fund Balances End of Year	\$ 34,857,397	\$ 1,318,504	\$ 75,566

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	City Hall Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ -	\$ 3,337,529	\$ 39,643,424
Licenses and permits	-	79,427	3,194,763
Intergovernmental	-	2,272,043	11,597,168
Charges for services	-	125,000	1,813,723
Fines and forfeitures	-	-	478,617
Investment interest	26,536	51,834	242,730
Miscellaneous	-	7,857	1,019,210
Total Revenues	26,536	5,873,690	57,989,635
Expenditures			
Current:			
General government	-	117,000	5,134,096
Public safety	-	-	23,106,828
Utilities and physical environment	-	66,188	2,258,751
Transportation	-	257,445	4,524,172
Economic environment	-	498,172	1,094,890
Community development	-	-	2,039,438
Culture and recreation	-	-	2,851,274
Debt Service:			
Principal retirement	-	390,000	390,000
Interest expense	-	355,834	356,458
Bond issuance costs	96,515	-	96,515
Capital Outlay:			
Capital expenditures	6,517,094	369,784	7,413,332
Construction in progress	-	3,818,899	11,489,228
Total Expenditures	6,613,609	5,873,322	60,754,982
Excess of Revenues Over (Under) Expenditures	(6,587,073)	368	(2,765,347)
Other Financing Sources (Uses)			
Transfers In	-	5,236,827	8,363,752
Transfers (out)	-	(4,652,688)	(8,675,352)
Bonds issued, par value	7,275,000	-	7,275,000
Bonds issued, premium	671,088	-	671,088
Total Other Financing Sources (Uses)	7,946,088	584,139	7,634,488
Net Change in Fund Balances (deficit)	1,359,015	584,507	4,869,141
Fund Balances Beginning of Year	4,789,046	13,565,998	51,680,892
Fund Balances End of Year	\$ 6,148,061	\$ 14,150,505	\$ 56,550,033

City of Spokane Valley, Washington

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds: **\$4,869,141**

***Amounts reported for governmental activities in the statement
of activities are different because:***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and contributions exceeded depreciation in the current period:

Depreciation	(6,470,394)
Capital outlay	19,125,000
	12,654,606

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Sales and use taxes	141,990
Property taxes	15,531
Excise taxes	(13,264)
Other taxes	(7,185)
Miscellaneous	(20,438)
Capital-operating grants and contributions	(13,335)
	103,299

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar transactions when debt is first issued or refunded, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the application of long-term debt and related items:

(7,516,921)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(36,657)
Pension expense (GASB 68 adjustments)	(52,461)
Amortization expense on LTGO Bonds	(61,475)
Interest expense accrual	-
	(150,593)

Internal service funds are used by management to charge the costs of fleet and risk management individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities:

149,698

***Total Change in Net Position of Governmental Activities
as shown on the Statement of Activities:***

\$10,109,230

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Statement of Net Position - Proprietary Funds

December 31, 2016

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	StormWater Management Fund	Aquifer Protection Area Fund	Total Proprietary Funds		
Assets					
Current Assets:					
Cash and cash equivalents	\$ 2,180,206	\$ 952,301	\$ 3,132,507	\$ 1,372,130	
Taxes receivable	34,747	-	34,747	-	
Taxes delinquent-receivable	19,365	-	19,365	-	
Accounts receivable, (net)	-	-	-	-	
Interest receivable	955	412	1,367	577	
Grants receivable	96,825	-	96,825	-	
Prepays	74	-	74	-	
Total Current Assets	2,332,172	952,713	3,284,885	1,372,707	
Capital Assets:					
Buildings & structures	382,881	-	382,881	-	
Machinery and equipment	219,613	-	219,613	397,761	
Infrastructure	3,760,395	3,397,891	7,158,286	-	
Construction in progress	83,158	-	83,158	-	
Less accumulated depreciation	(1,112,795)	(374,975)	(1,487,770)	(52,995)	
Total capital assets	3,333,252	3,022,916	6,356,168	344,766	
(net of accumulated depreciation)					
Total Assets	\$ 5,665,424	\$ 3,975,628	\$ 9,641,052	\$ 1,717,473	
Deferred Outflows of Resources					
Deferred amounts related to pensions	54,394	-	54,394	-	
Total Deferred Outflows of Resources	\$ 54,394	\$ -	\$ 54,394	\$ -	
Liabilities					
Current Liabilities:					
Accounts payable	\$ 45,514	\$ -	\$ 45,514	\$ 2,069	
Accrued payroll and benefits payable	23,597	83	23,680	-	
Compensated absences	26,402	-	26,402	-	
Deposits and other payables	32,100	-	32,100	-	
Retainage payables	46,521	1,904	48,425	-	
Unearned revenue	127,984	-	127,984	-	
Net pension plan liabilities-2016	316,389	-	316,389	-	
Total Current Liabilities	618,507	1,987	620,494	2,069	
Total Liabilities	618,507	1,987	620,494	2,069	
Deferred Inflows of Resources					
Deferred amounts related to pensions	6,642	-	6,642	-	
Total Deferred Inflows of Resources	6,642	-	6,642	-	
Net Position					
Net investments in capital assets	3,333,252	3,022,916	6,356,168	344,766	
Restricted	-	-	-	-	
Unrestricted	1,761,417	950,725	2,712,142	1,370,638	
Total Net Position	\$ 5,094,669	\$ 3,973,641	\$ 9,068,310	\$ 1,715,404	

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	StormWater Management Fund	Aquifer Protection Area Fund	Total Proprietary Funds	
Operating Revenues				
Charges for services	\$ 1,898,210	\$ -	\$ 1,898,210	\$ 106,000
Intergovernmental revenues	61,403	388,590	449,993	-
Total Operating Revenues	1,959,613	388,590	2,348,203	106,000
Operating Expenses				
Personal services	504,860	-	504,860	8,820
Professional services	199,667	-	199,667	277,298
Materials and supplies	23,991	-	23,991	-
Other services and expenses	1,009,492	-	1,009,492	-
Depreciation and amortization	221,692	153,774	375,466	23,396
Total Operating Expenses	1,959,701	153,774	2,113,475	309,514
Operating Income (loss)	(88)	234,816	234,728	(203,514)
Non-Operating Revenues (Expenses)				
Intergovernmental revenues	-	-	-	-
Interest and investment income	7,690	2,590	10,280	4,816
Miscellaneous revenues	-	-	-	-
Other services & expenses	-	-	-	-
Total Non-Operating Revenues (Expenses)	7,690	2,590	10,280	4,816
Income (loss) before Capital Contributions and Transfers	7,602	237,406	245,008	(198,698)
Contributions and Transfers				
Capital contributions	-	-	-	-
Transfers in	-	-	-	325,000
Transfers (out)	(13,400)	-	(13,400)	-
Change in Net Position	(5,798)	237,406	231,608	126,302
Net Position-Beginning of Year, January 1	5,100,467	3,736,235	8,836,702	1,589,102
Net Position-End of Year, December 31	\$ 5,094,669	\$ 3,973,641	\$ 9,068,310	\$ 1,715,404

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	StormWater Management Fund	Aquifer Protection Area Fund	Total Proprietary Funds	
Cash Flows from Operating Activities				
Cash received from customers	\$ 1,909,228	\$ -	\$ 1,909,228	\$ -
Cash paid to employees	(467,881)	83	(467,798)	(8,820)
Cash payments to suppliers for goods and services	(1,295,164)	-	(1,295,164)	(276,334)
Other cash receipts	(59,220)	388,590	329,370	-
Receipts from interfund activity	-	-	-	106,000
Other cash payments	67,416	1,904	69,320	-
Net cash (used for) provided by operating activities	154,379	390,577	544,956	(179,154)
Cash Flows from Noncapital Financing Activities				
Non-Capital grant/project receipts	-	-	-	-
Customer supplies/project expense reimbursements	-	-	-	-
Operating subsidies & transfers in (out) other funds	(13,400)	-	(13,400)	325,000
Net cash (used for) noncapital financing activities	(13,400)	-	(13,400)	325,000
Cash Flows from Capital and Related Financing Activities				
Acquisition, construction & (transfers) of capital assets	(94,452)	(362,115)	(456,567)	(222,440)
Intergovernmental revenues/materials & supplies (net)	-	-	-	-
Net cash provided by (used for) capital and related financing activities	(94,452)	(362,115)	(456,567)	(222,440)
Cash Flows from Investing Activities				
Interest received	7,172	2,178	9,350	4,499
Net cash provided by investing activities	7,172	2,178	9,350	4,499
Net increase (decrease) in Cash and Cash Equivalents	53,700	30,641	84,341	(72,095)
Cash and Cash Equivalents - January 1, 2016	2,126,506	921,660	3,048,166	1,444,225
Cash and Cash Equivalents - December 31, 2016	\$ 2,180,206	\$ 952,301	\$ 3,132,507	\$ 1,372,130
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (loss)	\$ (88)	\$ 234,816	\$ 234,728	\$ (203,514)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>				
Depreciation	221,692	153,774	375,466	23,396
<i>(Increase) Decrease in Assets:</i>				
(Increase) Decrease: Customer Receivables (net)	11,017	-	11,017	-
(Increase) Decrease: in Grants Receivables	(96,824)	-	(96,824)	-
(Increase) Decrease: in prepaid expenses	(44)	-	(44)	-
(Increase) Decrease in deferred outflows related to pensions	(23,754)	-	(23,754)	-
<i>Increase (Decrease) in Liabilities:</i>				
Increase (Decrease): Accounts payable to suppliers	(62,014)	-	(62,014)	964
Increase (Decrease): Payroll and benefits payable	33,407	83	33,490	-
Increase (Decrease): Other Accounts Payables	67,416	1,904	69,320	-
Increase (Decrease): Compensated Absences	3,572	-	3,572	-
Total adjustments	154,468	155,761	310,229	24,360
Net Cash Provided by (Used for) by Operating Activities	\$ 154,379	\$ 390,577	\$ 544,956	\$ (179,154)

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Notes to the Financial Statements

City of Spokane Valley, Washington

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2016**

NOTES TO THE FINANCIAL STATEMENTS

<u>Contents</u>		<u>Page</u>
Note 1: Summary of Significant Accounting policies.....		35
Note 2: Reconciliation of Government-Wide and Fund Financial Statements.....		42
Note 3: Deposits and Investments.....		45
Note 4: Property Taxes.....		46
Note 5: Capital Assets and Depreciation.....		47
Note 6: Pension Plans.....		50
Note 7: Risk Management.....		56
Note 8: Interfund Balances and Transfers.....		57
Note 9: Long-Term Obligations and Leases.....		58
Note 10: Contingencies and Litigation.....		60
Note 11: Receivable and Payable Balances.....		62
Note 12: Other Postemployment Benefits (OPEB).....		63
Note 13: Subsequent Events.....		67

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental-type activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *Business-Type Activities*, which rely to a significant extent on fees and charges generated by external customers for support.

B. Accounting and reporting changes

For the reporting year ended December 31, 2016, the City has implemented GASB 72, *Fair Value Measurement and Application* and GASB 79, *Accounting and Financial Reporting for Investments*.

C. Reporting entity

The City of Spokane Valley, Washington (the City) was incorporated on March 31, 2003. The City operates under a Council – Manager Form of government. The City's major operations, as authorized under the laws of the State of Washington applicable to a non-charter city code, include planning and zoning, public safety, public works, and recreation and culture.

The accounting and reporting policies of the City relate to the accompanying financial statements of the City of Spokane Valley, Washington which have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governmental entities. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, the Financial Accounting Standards Board (FASB), when applicable, and the American Institute of Certified Public Accountants (AICPA) pronouncements that have been made applicable by GASB Statements or Interpretations. As required by GAAP the City's financial statements present the City of Spokane Valley – the primary government.

D. Basis of presentation - government-wide and fund financial statements

While separate government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds) are presented to report the City's financial position and the results of operations, they are both interrelated. The governmental-type activities column incorporates data from the governmental funds and internal service funds, while business-type activities categorize data from the government's enterprise funds.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's Stormwater functions and various other functions and activities within the government. Elimination of these charges would distort the direct costs and program revenues reported in these various functions concerned. As discussed earlier, Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges created by those external customers.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

Separate fund financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are combined, aggregated, and reported as *non-major* funds.

E. Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as, *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been satisfied, and the amount is received during the period or within the availability period for this revenue source usually within 60 days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the City (*modified basis of accounting*).

The city reports the following *major governmental funds*:

The General Fund: is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.

The Street Fund: This Special revenue fund is responsible for the street operating and maintenance service levels of all Spokane Valley city streets and bridges. It utilizes the receipts received from the motor vehicle fuel tax (MVFT) distributed to the City in accordance with the State Revised Codes of Washington (RCW) 82.36.020 and receipts from the City Telephone Tax implemented in 2009. Most of the service levels to the city streets during 2016 are the same or greater than provided for compared to 2015.

Street Capital Projects Fund: accounts for the accumulation of resources used to finance the six-year transportation improvement plan. Revenues include transfers from the Capital and Special Capital Projects Fund, as well as Federal, State, and local grants.

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

City Hall Construction Fund: accounts for the accumulation of resources used to finance the construction of the new City Hall Building. Revenues include LTGO Bond issue proceeds.

The city reports the following *major proprietary funds*:

The Stormwater Management Fund: accounts for the receipt and expenditure of the stormwater management fee. The expenditures are used for stormwater control, construction, and management.

The Aquifer Protection Area Fund: accounts for aquifer protection area fees collected by Spokane County and remitted to the City. The expenditures are used for projects that protect the aquifer.

Additionally, the government reports the following *non-major fund types*:

Special revenue funds: accounts for revenue sources that are restricted for specific purposes such as Hotel/Motel tax revenues and expenditures, Winter Weather Reserve, and revenues and expenditures for the Trails & Paths Fund, PEG and Solid Waste Funds.

Debt service fund: accounts for the resources accumulated and payments made for principal and interest on general government debt except those to be accounted for in another fund.

Capital project funds: accounts for the acquisition or development of capital facilities for governmental activities. The major sources of revenues are from proceeds of general obligation bonds, grants from other agencies, and contributions from other funds.

Internal service funds: accounts for vehicle replacement, and risk management services provided to other departments on a cost reimbursement basis.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Stormwater Management Fund and Aquifer Protection Area Fund are stormwater management fees, aquifer protection area fees from Spokane County, and government grants. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

F. Budgetary information

1. Budgetary basis of accounting

Annual appropriated budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The governmental funds are budgeted on the modified accrual basis of accounting whereas the basis of accounting for proprietary funds is full accrual. Legal budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is established at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers are used to monitor expenditures for individual functions and activities by object class.

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

2. Procedures for adopting the original budget

The City's budget procedures are mandated by the Revised Code of Washington 35A.33. The following are key procedural steps in the City's budget development process. Note that the process and dates are for the 2016 budget process and may be changed for future processes:

- In April, the official "budget call" required by State law is made to all department directors or fund managers. Budget development instructions and other materials are provided to the departments at this time.
- In May departments submit revenue and expenditure estimates to the Finance department. The City Council and City management staff discuss City goals and priorities and reaffirms overall City priorities, vision, and mission at a mid-year retreat. Additional policy guidance is provided throughout the year.
- In July the Finance department submits the preliminary budget to the City Manager.
- In August the City Manager submits estimates on the current year's revenue and expenditures for the upcoming year to the council. During August, preliminary budget documents were prepared, printed and filed with City Clerk. This proposed budget is presented to the City Clerk and copies are made available to the public. The Council sets the dates of the preliminary and final budget hearings.
- Before December 31st the City Council, by a majority vote, will adopt the budget by ordinance, establishing the budget appropriation for the year.
- The approved budget is published and distributed during the first quarter of the following year. Copies are made available to the public.
- Monthly budget monitoring reports are produced by the Finance Department to report on actual performance compared to budget estimates and to identify any remedial actions that may be needed.

3. Amending the budget

The budget, as adopted, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. The City Manager is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of a fund, or that effect the number of authorized employee positions, salary ranges, or other conditions of employment must be approved by the City Council. When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding a public hearing.

The City's budget was amended twice during fiscal year 2016. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes. Annual appropriations for all funds lapse at the end of the fiscal period even if they have related encumbrances. Unexpended resources must be re-appropriated and become part of the subsequent period's budget pursuant to Washington States regulations.

G. Assets, liabilities, unearned revenues, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City considers all highly liquid assets including demand deposits, petty cash, money market accounts, certificates of deposit (CD's), investments in the Washington State Treasurer's Local Government Investment Pool (LGIP), and short-term investments with a maturity of three months or less from the date of acquisition as cash and cash equivalents. These amounts are classified on the balance sheet or in the statement of net position within cash and cash equivalents in the various funds. The interest on these investments is prorated to the applicable funds and the City's policy has been to hold its investments until maturity in an attempt to reduce market fluctuation risk. Investments of the City can be drawn down on demand.

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

2. Investments

As authorized by Washington state law, the City is allowed to invest in obligations of: the U.S. Treasury, commercial paper, certificates of deposits, money market funds, mutual funds, and the Washington State Treasurer's Local Government Investment Pool (LGIP).

Investments for the City of Spokane Valley are reported at amortized cost at December 31, 2016. The Washington State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with the Security Exchange Commission's (SEC) Rule 2a-7 of the Investment Company Act of 1940 and other appropriate state laws and regulations. The value of the LGIP portfolio is calculated by a master custodian or by an independent pricing service under contract with the State Treasurer's Office. The reported amortized value of the City's pool position in the State of Washington's LGIP is the same as the value of the pool shares (refer to note 3).

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes, and contracts. Grants receivable consist of amounts due from other governments for work performed on reimbursement-type grants. Customer accounts receivable/payable consist of amounts owed from/to private individuals or organizations for goods and services including amounts owed. Receivables have been reported *net* of estimated uncollectible accounts. Because property taxes and special assessments are considered liens on property, no estimated uncollectible amounts are established. Grants receivable are considered fully collectible and no estimated uncollectible amounts are established.

4. Amounts due to and from other funds, interfund loans and advances receivable

During the course of operations the City of Spokane Valley has activity between funds for various purposes. Any residual balances outstanding at year end are reported as *due from/to other funds*. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Balances between funds included in governmental-type activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental-type activities column.

Similarly, balances between the funds included in business-type activities (i.e., the proprietary funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column (refer to note 8).

Further, certain activity occurs during the year involving *transfers* of resources between funds. In the fund financial statements these amounts are reported at gross amounts of *transfers in/out*. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. *Transfers* between the funds included in governmental-type activities are eliminated so that only the net amount is included as transfers in the governmental-type activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column (refer to note 8).

5. Inventories and prepaid items

Reported inventories in the governmental and proprietary funds consist of expendable supplies held for consumption and are valued at cost using first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditure/expenses at the time individual inventory items are consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when it was purchased.

6. Capital assets

Capital assets include: property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type columns in the government-wide financial statements. The City defines capital assets, including infrastructure assets as assets with an initial and individual cost of more than

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

\$5,000, and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of proprietary/business-type activities is included as part of the capitalized value of the assets constructed and the amount of interest capitalized depends on the specific circumstances (refer to note 5). There were no interest expenses incurred during 2016 that were included as part of the cost of capital assets under construction.

Land and construction in progress (CIP) are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated service lives:

Buildings and improvements	10 - 60 years
Infrastructure	5 - 40 years
Light/Heavy duty transportation equipment	5 - 10 years
Other equipment	2 - 20 years
Office and computer equipment	3 - 5 years

7. Deferred outflows/inflows of resources

The City of Spokane Valley currently has three sources that qualify for reporting as a deferred outflow/inflow of resources for fiscal year 2016 under this standard. These sources consists of traffic mitigation fees, Washington State Office of Public Defense grant funds received in advance and proportionate share in net pension obligations as per GASB 68. At December 31, 2016, the City of Spokane Valley reported deferred outflow of \$1,077,109 for pension plans and deferred inflows of \$131,535 for the same plans for its proportionate share of the net pension liabilities.

8. Compensated absences

Compensated absences are absences for which employees will be paid, such as vacation. Vacation pay, which may be accumulated up to 360 hours, is payable upon resignation, retirement, or death. All vacation pay is accrued when incurred in the government-wide, proprietary and fund financial statements. An additional amount has been accrued for the city's share of Medicare taxes and the Social Security substitute plan related to vacation accruals. A liability for these amounts is reported in the government fund statements only if they have matured for example, the result of an employee resignation and or retirement.

9. Other Accrued Liabilities

These accounts consist primarily of accrued wages and employee benefits and deposits payable (refer to note 11).

10. Long-Term Debt

Refer to note 9 – Long-Term Obligations and Leases.

11. Unearned Revenues

The unearned revenues account is used to offset receivables established in the governmental fund financial statement for certain revenues that are measurable but not considered available to finance payment of current obligations, and, therefore, are not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, this liability account is reduced and corresponding revenue is recorded. Unearned revenues represented in this manner on the accompanying financial statements are: uncollected property taxes levied, uncollected road taxes levied, sales and use taxes, motor fuel taxes, hotel/motel taxes, and reimbursement-type grants received outside the period of availability.

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

12. Net position flow assumption (GASB Statement No.63)

Sometimes the City of Spokane Valley will fund outlays for a particular purpose from both restricted (e.g., grant proceeds or street construction and maintenance) and unrestricted resources. In order to calculate these amounts to report as restricted -- net position and unrestricted -- net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which these resources are considered to be applied and used. The City considers restricted – net position to have been depleted before unrestricted -- net position is applied.

13. Fund balance flow assumptions

Sometimes the City of Spokane Valley will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the City's governmental fund financial statements, a flow assumption must be made about the order in which these resources are considered to be applied and used. When both restricted and unrestricted fund balances are available for use; the City depletes restricted fund balance first before using any of the components of unrestricted fund balance. Similarly, within unrestricted fund balance can be used for the same purpose, committed fund balance amounts are reduced first, followed by assigned fund balance, and then unassigned fund balance amounts are used when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be applied.

14. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of these financial resources for specific purposes. The City of Spokane Valley itself can establish limitations on the use of its financial resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. The City council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until similar action is taken (adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. The City Council can by resolution authorize the Finance Director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. No formal or additional action is required by the City Council to remove an assignment. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

As discussed earlier, the City does not have a fund balance spending prioritization policy. Therefore, restricted resources are used first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned,

City of Spokane Valley

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued:*

and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance — The City has a policy of maintaining a minimum General Fund ending fund balance of at least fifty percent of recurring general fund expenditures, which represents approximately six months of General Fund operations.

15. 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. Investments are reported at fair value.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund statements include reconciliations between the fund statements and the government-wide statements. Differences that make reconciliations necessary include the two differing measurement focuses and basis of accounting, accrual and modified accrual between the statements.

The governmental fund balance includes reconciliations between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, net pension liabilities, deferred outflows and inflows, and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$(20,004,233) difference are as follows:

Bonds payable	\$ (13,260,000)
Net pension liabilities	(5,948,746)
Deferred inflows of resources	(124,893)
Deferred outflows of resources	1,022,715
Premium on bond issuance	(1,201,063)
Compensated absences	<u>(492,246)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$(20,004,233)</u></u>

Another element of that reconciliation explains the “Internal service funds are used by management to charge the cost of certain activities, such as health insurance costs to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.” The details of the \$1,370,639 difference are as follow:

City of Spokane Valley

Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS *continued*:

Net position of the internal service fund	\$ 1,715,405
Less: Governmental type Internal Service Capital Assets	<u>(344,766)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position governmental activities</i>	<u>\$ 1,370,639</u>

Also, another element of the reconciliation explains that capital assets used in governmental activities are not financial resources and the balance reflects the initial investment in capital assets therefore, “governmental funds do not report capital assets.” These balances include Internal Service funds. However, Internal Service funds do not report capital expenses. The details of the \$104,821,451 difference are as follows:

Land	\$ 8,322,766
Construction in Progress	<u>14,163,091</u>
Total non-depreciable capital assets	<u><u>22,485,857</u></u>
Depreciable capital assets	\$ 334,998,527
Less: Accumulated depreciation-depreciable assets	<u>(252,662,933)</u>
Total depreciable capital assets, net of accumulated depreciation	<u><u>82,335,594</u></u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$104,821,451</u>

Certain earned tax revenues were collected and other long-term assets will not be available until after the year end to pay for current expenditures; and therefore represent an acquisition of net position that applies to future period(s) and will not be recognized as an *inflow of resources (revenue)* until that time and accordingly, these items will be reported as *unearned revenues* in the governmental fund balance sheet. The details of the \$3,353,799 reconciled difference presented as follows:

Unearned revenue-property tax	\$ 330,696
Unearned revenue-sales & use, motor fuel, & Hotel/motel taxes	2,448,566
Unearned revenue-Intergovernmental & Charges for services	442,531
Unearned revenue-miscellaneous deposits	<u>132,006</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position governmental activities</i>	<u>\$ 3,353,799</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes this reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the current period.” This balance includes Internal Service funds, which do not report capital expenses. The details of this \$12,654,606 difference are as follows:

City of Spokane Valley

Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS *continued*:

Capital outlay	\$ 19,125,000
Depreciation expense	<u>(6,470,394)</u>

Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 12,654,606</u>
--	-----------------------------

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds \$(7,516,921), while the repayment of the principal of long-term debt consumes current financial resources of governmental funds, neither transaction however has any effect on net position.

Bond proceeds from issuance of long-term debt	\$ (7,275,000)
Premium on the issuance of long-term debt	(671,088)
Retirement of long-term debt principal	<u>429,167</u>

Net adjustment to decrease <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (7,516,921)</u>
--	------------------------------

Another element of the reconciliation states that “some long-term revenues in the statement of activities that do not provide current financial resources to governmental funds are not reported as revenues in the funds.” The details of this \$103,299 difference are as follows:

Unearned revenue-property taxes	\$ 15,531
Unearned revenue-sales & use taxes	141,990
Unearned revenue-excise taxes	(13,264)
Unearned revenue-other taxes	(7,185)
Unearned revenue-charges for services	(20,438)
Unearned revenue-capital grants & contributions	<u>(13,335)</u>

Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 103,299</u>
--	--------------------------

City of Spokane Valley

Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS *continued*:

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(150,593) difference are as follows:

Compensated absences	\$ (36,657)
Pension expense (GASB 68)	(52,461)
Amortization expense on LTGO Bonds	<u>(61,475)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (150,593)</u>

Another element of the reconciliation states the “internal service funds are used by management to charge the cost of certain activities, such as self-insurance and equipment rental and replacement, to individual funds.” The details of this \$149,698 difference are as follows:

Revenues:	
Interest and investment income & charges for services	\$ 110,817
Total Revenues	<u>110,817</u>
Expenses, depreciation governmental funds type and net transfers:	38,881
Net adjustment to increase <i>net changes in fund balances</i>	<u>\$ 149,698</u>

NOTE 3 – DEPOSITS AND INVESTMENTS:

As of December 31, 2016, City of Spokane Valley had the following investments at amortized cost:

Investment Type (amounts are in thousands)	Maturities	
Commercial paper	0.65	\$ 5,020
Local Government Investment Pool State of Washington	0.45	<u>48,347</u>
Total amortized cost of investments:		
Portfolio weighted average maturity	0.47	<u>\$ 53,367</u>

Interest rate risk. In accordance with its investment policy, the City of Spokane Valley manages its exposure to declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to less than six months.

Credit risk: As required by state law, all investments of the City’s funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligation of Washington State municipalities the State Treasurer’s Local Government Investment Pool (LGIP Revised Code of Washington RCW 43.250), and certificates of deposit (CDs) with Washington State banks and savings and loan institutions. Also, State law limits these investments to the highest ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City of Spokane Valley’s policy to limit its investments in these investment types to the highest ratings issued by NRSROs.

City of Spokane Valley

Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS *continued:*

As of December 31, 2016, the City of Spokane Valley's investment in the State Treasurer's investment pool was rated Aa3 by Moody's. The City of Spokane Valley's investments in commercial paper was rated A1 by Standard & Poor's.

Concentration of credit risk: The City of Spokane Valley's investment policy does not allow for an investment in any one issuer that is in excess of the Federal Depository Insurance (FDIC) coverage and the Washington Public Deposit Protection Commission (PDPC) of the City's total investments.

Custodial credit risk-deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned or recovered. The City of Spokane Valley maintains a deposit policy for custodial credit risk by limiting deposits and certificates of deposits to be covered by (FDIC) or through collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington and provides an additional level of security for The City of Spokane Valley's deposits. As of December 31, 2016, the City of Spokane Valley's total bank balance of \$7,486,330 was insured and covered by the FDIC and the Washington State PDPC pool and therefore, was not exposed to any custodial credit risk-deposits. These banks deposits were in a State authorized public depository and were within the State limit of the depositaries (bank's) net worth per RCW 39.58.010 and RCW 39.58.135.

Custodial credit risk-investments: Investments in the State's LGIP are shown on the entity-wide Statement of Net Position at fair market value and comparable to a Rule 2a-7 money market fund regulated by The Securities and Exchange Commission (SEC, 17CFR.270.2a-7). The City's investments can be categorized to give an indication of risk assumed at year-end. Category 1 includes investments that are insured, registered, or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent, but not in the City's name. The City had no Category 1, 2, or 3 type investments in their investment portfolio as of December 31, 2016.

The LGIP has an operations manual to describe operating policies and procedures for investing in the State pool. The minimum transaction size is \$5000 for deposits and withdrawals. A notification to LGIP should be made at least a day prior to a large deposit/withdrawal of Ten million or more. The State Treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the LGIP. The administrative fee accrues daily from pool participants' earnings prior to the earnings being posted to their account. The administrative fee will be paid monthly. In the event that there are no earnings, the administrative fee will be deducted from principal.

NOTE 4 – PROPERTY TAXES:

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. The County Assessor is responsible for determining what the individual property taxes are, based upon the monies requested by the taxing districts and the assessed valuation within these districts.

Taxes are levied annually on January 1st on property values assessed as of the prior year May 31st. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every four years. Taxes are due in two equal installments on April 30th and October 31st. Tax liens are automatic at the point the taxes are levied.

Property taxes levied for the current year are recorded as a receivable when levied, offset by unearned revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and

City of Spokane Valley

Notes to Financial Statements

NOTE 4 – PROPERTY TAXES continued:

delinquent taxes are evaluated annually. For 2016, the City's regular levy was \$11,489,518 based on the 2015 assessed value of \$7,748,275,097.

The tax rate for general City operations is limited by State law (RCW 84.52.043) to \$3.60 per \$1,000 of assessed valuation, deducting from there the levy of \$1.50 by the Spokane County Fire Districts #1 and #8, and \$.50 for Library Districts, which leaves the City with the authority to levy \$1.48 for its own purposes. This amount may be reduced for any of the following reasons:

- (1) The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one-percent limit.
- (2) Initiative 747 passed by the voters in November of 2001 limits the amount by which a taxing jurisdiction can increase the amount of its regular property tax levy to the lesser of the Implicit Price Deflator (IPD) or one percent, plus adjustments for new construction and annexations. Tax increases higher than one percent must be approved by the voters at an election held according to (RCW 84.55.050.) A simple majority vote is required.
- (3) The City may voluntarily levy taxes below the legal limit.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION:

Donated capital assets received from Spokane County at the time of incorporation were recorded at cost and the accumulated depreciation at the time of transfer. The following schedule details capital assets donated and transferred during the year ended December 31, 2003:

<i>Infrastructure:</i>	Historical Cost	Accumulated Depreciation	Balance after Depreciation Costs
Roadways	\$ 187,732,531	\$ 127,418,027	\$ 60,314,504
Signs, signals, beacons	9,056,000	4,528,000	4,528,000
Crosswalks	130,084	13,008	117,076
Bridges	5,633,979	2,808,112	2,825,867
Total infrastructure	202,552,594	134,767,147	67,785,447
<i>Parks:</i>			
Land	1,548,655	-	1,548,655
Buildings	898,729	609,824	288,905
Improvements other than buildings	2,123,571	1,059,298	1,064,273
Machinery and equipment	3,337	3,003	334
Total parks	4,574,292	1,672,125	2,902,167
Total County assets donated	\$ 207,126,886	\$ 136,439,272	\$ 70,687,614

City of Spokane Valley

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION *continued*

Governmental-type Capital asset activity for the year ended December 31, 2016, is summarized as follows:

Governmental-type activities	Beginning			Ending Balance	
	Balance 1/1/2016	Additions	Reductions	Dec. 31, 2016	
Land (non-depreciable)	\$ 8,078,868	\$ 243,898	\$ -	\$ 8,322,766	
Construction in progress (CIP)	10,426,093	12,596,621	(8,859,623)	14,163,091	
Total non-depreciable assets	18,504,961	12,840,519	(8,859,623)	22,485,857	
Buildings	12,883,856	-	-	12,883,856	
Leasehold improvements	434,627	177,127	-	611,754	
Improvements other than buildings	12,141,627	232,229	-	12,373,856	
Infrastructure	291,118,623	14,244,804	-	305,363,427	
Machinery and equipment	3,275,689	489,945	-	3,765,634	
Total depreciable assets	319,854,422	15,144,105	-	334,998,527	
Total capital assets	\$ 338,359,383	\$ 27,984,624	\$ (8,859,623)	\$ 357,484,384	
 <i>Less accumulated depreciation for:</i>					
Beginning	Beginning			Ending Balance	
	Balance	1/1/2016	Additions	Reductions	12/31/2016
Buildings	\$ 3,785,362	\$ 321,886	\$ -	\$ 4,107,248	
Leasehold improvements	136,453	4,656	-	141,109	
Improvements other than buildings	5,274,069	756,240	-	6,030,309	
Infrastructure	234,309,667	5,220,109	-	239,529,776	
Machinery and equipment	2,686,988	167,503	-	2,854,491	
Total accumulated depreciation	\$ 246,192,539	\$ 6,470,394	\$ -	\$ 252,662,933	
Capital assets, net of accumulated depreciation	\$ 92,166,844	\$ 21,514,230	\$ (8,859,623)	\$ 104,821,451	

City of Spokane Valley

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION continued:

Business-type Capital asset activity for the year ended December 31, 2016, is summarized as follows:

Business-type activities;	Balance			Balance
	1/1/2016	Additions	Reductions	
Construction in progress	\$ 83,158	\$ -	\$ -	\$ 83,158
Total non-depreciable	83,158	-	-	83,158
Buildings and structures	382,881	-	-	382,881
Infrastructure	6,706,592	451,694	-	7,158,286
Machinery and equipment	214,742	4,871	-	219,613
Total depreciable	7,304,215	456,565	-	7,760,780
Total capital assets	\$ 7,387,373	\$ 456,565	\$ -	\$ 7,843,938
(Less) accumulated depreciation for:				
Buildings and structures	\$ 60,020	\$ 12,787	\$ -	\$ 72,807
Infrastructure	864,563	357,967	-	1,222,530
Machinery and equipment	187,721	4,712	-	192,433
Total accumulated depreciation	1,112,304	375,466	-	1,487,770
Capital assets, net of accumulated depreciation	\$ 6,275,069	\$ 81,099	\$ -	\$ 6,356,168

Depreciation expense was charged to current functions of the primary government for 2016 as follows (includes Internal Service Funds Governmental type):

Govermental Activities:

General Government	\$ 89,185
Public Safety	63,710
Physical Utilities & Environmnt	1,093,545
Transportation	4,205,483
Economic Environment	26,774
Culture & Recreation	991,697
Total governmental activities current year depreciation expense	\$ 6,470,394

Business-type activity:

StormWATER	\$ 221,692
Aquifer Protection Area	153,774
Total business-type activities current year depreciation expense	\$ 375,466

City of Spokane Valley

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION continued:

Construction commitments

The City of Spokane Valley was involved in many construction projects as of December 31, 2016. The projects include various street and park construction projects as well as construction of a New City Hall building with a total of \$32,345,805 of contracts in place. At year end the City's commitments with contractors are as follows:

Construction Commitments	Original Commitment	Spent to Date	Remaining Commitment at 12/31/16
Broadway Ave St. Preservation-Sullivan to Moore	\$ 424,424	\$ 398,510	\$ 25,914
City Hall	12,407,657	6,800,185	5,607,472
32nd Ave Preservation	1,289,791	1,232,835	56,957
ITS Infill Project - Phase 1	4,255	4,009	246
Mission Ave - Flora to barker	146,415	83,976	62,439
Pines Rd. (SR27) & Grace Ave Int Safety	15,700	12,227	3,473
Pines Rd. (SR27) Mirabeau Parkway Intersection	29,868	-	29,868
Sullivan Rd Preservation Project	850	845	5
Sullivan Rd W Bridge Replacement #4508	15,044,930	13,557,080	1,487,850
McDonald Rd Diet (16th to Mission)	1,751,710	1,716,715	34,995
Pines Rd. underpass @ BNSF & Trent	8,150	6,180	1,970
Appleway Resurfacing, Park to Dishman	916,555	902,814	13,741
Appleway Trail, Pines to Evergreen	131,172	104,855	26,317
Appleway Trail, Sullivan to Corbin	142,710	26,453	116,257
Browns Park Splashpad	8,060	8,059	1
Browns Park Champ Court	7,100	6,864	236
Cosv Park Signs Ph II	2,658	573	2,085
8th & Carnahan Intersection Improvements	13,800	9,783	4,017
Total Construction Commitments	\$ 32,345,805	\$ 24,871,965	\$ 7,473,841

The various street, bridge, and parks construction projects are being funded by state and local grants, as well as, existing resources in various City Funds. The New City Hall is being funded by a combination of LTGO bond proceeds and existing city resources.

NOTE 6 – PENSION PLANS:

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 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (6,265,135)
Pension assets	\$ -
Deferred outflows of resources	\$ 1,077,109
Deferred inflows of resources	\$ (131,536)
Pension expense/expenditures	\$ 643,536

City of Spokane Valley

Notes to Financial Statements

NOTE 6 – PENSION PLANS continued:

State Sponsored Pension Plans

Substantially all City of Spokane Valley 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov

Public Employees' Retirement System (PERS)

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.

PERS Plan 1

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1			
Actual Contribution Rates:	Employer	Employee*	
PERS Plan 1	6.23%	6.00%	
PERS Plan 1 UAAL	4.77%	6.00%	
Administrative Fee	0.18%		
Total	11.18%	6.00%	

City of Spokane Valley

Notes to Financial Statements

NOTE 6 – PENSION PLANS continued:

The City of Spokane Valley actual contributions to the plan were \$305,736 for the year ended December 31, 2016. The City did not have any current employees participating in PERS Plan 1 during 2016. These contributions represent amounts allocated to PERS Plan 1 by DRS for the Unfunded Actuarial Accrued Liability (UAAL) to support payments for prior employees under this plan.

PERS Plan 2/3

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

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

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

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

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2 *
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

City of Spokane Valley

Notes to Financial Statements

NOTE 6 – PENSION PLANS *continued:*

The City of Spokane Valley actual contributions to the plan were \$399,315 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- *Inflation:* 3% total economic inflation; 3.75% salary inflation
- *Salary increases:* In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- *Investment rate of return:* 7.5%

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.80% to 7.70%. Assumed administrative factors were updated
- The valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.70 percent except LEOFF Plan 2, which has assumed 7.50 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contribution from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

City of Spokane Valley

Notes to Financial Statements

NOTE 6 – PENSION PLANS *continued:*

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WISB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the City of Spokane Valley proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Spokane Valley proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 3,434,808	\$ 2,848,337	\$ 2,343,642
PERS 2/3	\$ 6,290,940	\$ 3,416,798	\$ (1,778,641)

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 June 30, 2016, the City of Spokane Valley reported a total pension liability of \$6,265,135 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,848,337
PERS 2/3	\$ 3,416,798

City of Spokane Valley

Notes to Financial Statements

NOTE 6 – PENSION PLANS continued:

Proportionate Share of Collective net pension liabilities

At June 30, the City of Spokane Valley's (applicable plans) proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2015	Proportionate Share 6/30/2016	Change in Proportion
PERS 1	0.052995%	0.053037%	0.000042%
PERS 2/3	0.068456%	0.067862%	-0.000594%

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

Pension Expense

For the year ended December 31, 2016, the City of Spokane Valley recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 158,456
PERS 2/3	\$ 485,080

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the City of Spokane Valley reported deferred outflows of resources and deferred inflows of resources related to pensions from the following PERS plans:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ -	\$ -
Net difference between projected & actual investment earnings on pension plan investments	\$ 71,717	\$ -
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions & proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 152,210	\$ -
Total	\$ 223,927	\$ -

City of Spokane Valley

Notes to Financial Statements

NOTE 6 – PENSION PLANS *continued*:

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 181,942	\$ (112,793)
Net difference between projected & actual investment earnings on pension plan investments	\$ 418,117	\$ -
Changes of assumptions	\$ 35,315	\$ -
Changes in proportion and differences between contributions & proportionate share of contributions	\$ 19,010	\$ (18,742)
Contributions subsequent to the measurement date	\$ 198,798	\$ -
Total	\$ 853,182	\$ (131,535)

Deferred outflows of resources related to pensions resulting from the City of Spokane Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	Year ended December 31:	PERS 2/3
2017	\$ (17,658)	2017	\$ 4,424
2018	\$ (17,658)	2018	\$ 4,424
2019	\$ 65,864	2019	\$ 317,009
2020	\$ 41,169	2020	\$ 196,991
2021	\$ -	2021	\$ -
Thereafter	\$ -	Thereafter	\$ -

NOTE 7 – RISK MANAGEMENT:

The City of Spokane Valley is exposed to financial loss resulting from City-caused damage to property or persons, bodily injuries or illness of employees, and unemployment compensation. The City is insured and a member of the Washington Cities Insurance Authority (WCIA) for general liability and property damage coverage. The City uses the Washington State Department of Labor and Industries Insurance Services for coverage to pay for medical care for job-related injuries and illnesses, and wage replacement when the injury or illness is serious enough to miss work. The City is self-insured for unemployment compensation benefits. The Risk Management Fund is used to account for, and finance the liability and Unemployment insurance costs. Departments of the City make payments through interfund assessments to the fund on estimates of the amounts needed to pay prior and current year claims.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 Members.

City of Spokane Valley

Notes to Financial Statements

NOTE 7 – RISK MANAGEMENT *continued:*

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually. Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The City of Spokane Valley is self-insured on a reimbursement basis for unemployment compensation. The City incurred \$8,858 in claims for unemployment compensation in 2016 and did not have any settlements that exceeded insurance coverage in the last three prior years.

NOTE 8 – INTERFUND BALANCES AND TRANSFERS:

Interfund Balances

Sometimes during the course of operations, and as a part of the City's regular programmatic activity, one fund will sell goods, have work performed or services provided to another fund in return for equal or almost equal value. As a result of such exchanges, an interfund services provided and used applies to any residual balances outstanding at year end and the City reports this type of activity as *due from/to other funds*. Due to other fund and due from other fund balances at December 31, 2016, were:

City of Spokane Valley

Notes to Financial Statements

NOTE 8 – INTERFUND BALANCES AND TRANSFERS *continued:*

	Due from other funds	Due to other funds
General fund	\$ 548,500	\$ -
Street fund	-	-
Street capital projects fund	-	1,700,000
City hall construction fund	1,000,000	-
Nonmajor governmental funds	<u>1,000,000</u>	<u>848,500</u>
 Total business type activities	 \$ -	 \$ -
 Total government - wide	 <u>\$ 2,548,500</u>	 <u>\$ 2,548,500</u>

Service level stabilization fund balances have been combined to general fund as per GASB 54.

Interfund Transfers

Interfund transfers are the flow and reassignment of resources between funds without the exchange of equal or almost equal value between the funds, typically referred to as a *non-exchange transaction or non-reciprocal interfund activity*. The City (1) *transfers* revenues from the fund that statutes or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) *transfers* restricted resources for the purpose of debt service from the funds collecting the receipts to the debt service fund for debt service payments, and (3) *transfers* unrestricted revenues collected in the general and street funds to finance various programs accounted for in other funds in accordance with budgetary authority. Interfund transfer activity for 2016 is as follows:

	Transfers - in	Transfers - (out)
General fund	\$ 322,259	\$ 3,915,622
Street fund	-	107,042
Trails & Paths fund	-	9,300
Hotel/Motel fund	-	88,388
Solid Waste fund	-	40,425
Winter Weather Reserve fund	15,043	-
Civic facilities replacement fund	-	559,804
Debt service fund	365,534	-
Capital projects fund	-	1,032,216
Special capital projects fund	-	612,837
Street capital projects fund	2,804,666	-
Parks capital projects fund	364,941	-
Civic Buildings Capital Projects fund	344,200	198,734
Pavement Preservation fund	2,301,518	-
Capital Reserve fund	1,828,723	2,110,985
Railroad Grade Separation Projects fund	16,868	-
Stormwater management fund	-	13,400
Internal Service Funds (Gov't type)	325,000	-
 Total government - wide	 <u>\$ 8,688,752</u>	 <u>\$ 8,688,752</u>

City of Spokane Valley

Notes to Financial Statements

NOTE 8 – INTERFUND BALANCES AND TRANSFERS continued:

The City made the following one-time transfers during the year ending December 31, 2016. These one-time or infrequent transfers are included in the table above:

- A \$15,043 transfer from the General Fund to Winter Weather Reserve Fund to replenish after windstorm damages.
- A \$29,822 transfer from the General Fund to Parks Capital Projects Fund to replenish after windstorm damages.

NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES:

Pension Obligations

The City's net pension liability for the year ended December 31, 2016, is \$6,265,135. Refer to note 6 for additional information and activity related to the City's pension plans.

General Obligation Bonds

The City of Spokane Valley issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental-type activities. These General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds are either created by 3/5th majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council, and normally financed from general revenues (i.e., councilmanic bonds). In 2003, the City issued \$9,430,000 of councilmanic bonds to finance construction of the CenterPlace Community Center and for various street construction projects. The City expects to receive intergovernmental payments from the Spokane Public Facilities District pursuant to an inter-local agreement dated July 2003, for \$7 million of the bonds.

In 2016 the City issued \$7,275,000 of general obligation bonds to partially finance the construction of a New City Hall building. As a result of favorable interest rate at the time of bond issuance, the bonds were issued at a premium of \$671,088.

Refunded Bonds

On August 27, 2014, The City of Spokane Valley issued \$7,035,000 of Limited Tax General Obligation 2014 Refunding Bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the old \$7,435,000 of refunded debt. As a result, the refunded bonds are now considered defeased, retired, and the liability has been removed subsequently from the City of Spokane Valley's governmental activities financial statements of Net Position. This refunding was undertaken to reduce total debt service payments over the life of the bonds and resulted in an economic gain of \$1,283,730.

General obligation and refunding bonds are currently outstanding as December 31, 2016, as follows:

Name of Issuance	Purpose	Interest Rate	Maturity	Debt Outstanding
LTGO'14 Refunding Bonds	Governmental Activities	2.00% - 4.00%	12/1/2033	\$6,060,000
LTGO'16 Bonds	Governmental Activities	2.00% - 4.00%	12/1/2045	\$7,200,000

City of Spokane Valley

Notes to Financial Statements

NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES *continued:*

The annual debt service requirements to maturity for general obligation and refunding bonds, are as follows:

Governmental - Type Activities			
	Principal	Interest	Total Requirements
2017	470,000	470,000	940,000
2018	520,000	457,400	977,400
2019	555,000	443,350	998,350
2020	595,000	426,700	1,021,700
2021	635,000	408,850	1,043,850
2022-2026	3,380,000	1,685,400	5,065,400
2027-2031	2,445,000	1,100,050	3,545,050
2032-2036	1,595,000	717,150	2,312,150
2037-2041	1,580,000	417,350	1,997,350
2042-2045	1,485,000	113,100	1,598,100
Totals	\$13,260,000	\$ 6,239,350	\$ 19,499,350

Long-term debt on the Statement of Net Position is presented net of any premium/discount incurred at the time of issuance. The 2014 LTGO'14 Refunding Bonds and 2016 LTGO'16 general obligation bonds were sold at a premium of \$1,278,847 and were reported at the net amount of \$1,341,656 including the underwriters discount expense. The premium will be amortized over the life of the bonds and the outstanding liability balance as of December 31, 2016, is \$1,201,063.

Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

Governmental-Type Activities	Balance	Amounts			
	1/1/2016	Additions	Reductions	12/31/2016	Due within One Year
Bonds and notes payable:					
GO refunding LTGO'14 bonds	\$ 6,375,000	\$ -	\$ (315,000)	\$ 6,060,000	\$ 320,000
General obligation LTGO'16 bonds	-	7,275,000	(75,000)	7,200,000	150,000
Premium on LTGO'14 refunding bonds	591,450	-	(39,106)	552,344	39,106
Premium on LTGO'16 bonds	-	671,088	(22,369)	648,719	22,369
Other liabilities:					
Net pension plan liabilities	4,968,934	979,812	-	5,948,746	-
Compensated absences	438,763	53,483	-	492,246	53,483
Governmental activities					
long-term liabilities	\$12,374,147	\$8,979,383	\$ (451,475)	\$20,902,055	\$ 584,958

City of Spokane Valley

Notes to Financial Statements

NOTE 9 – LONG -TERM OBLIGATIONS AND LEASES continued:

Business-Type Activities	Balance			Balance	Amounts
	1/1/2016	Additions	Reductions	12/31/2016	Due within One Year
Net pension plan liabilities	249,169	67,220	-	316,389	-
Compensated absences	22,830	3,572	-	26,402	3,572
Business-type activities					
long-term liabilities	\$ 271,999	\$ 70,792	\$ -	\$ 342,791	\$ 3,572

Legal Debt Margin

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the city's assessed valuation, for a total debt capacity of seven and one-half percent.

The 2015 assessed valuation of the City for the Levy year of 2016, for purposes of determining the legal debt margin is \$7,748,275,097. Under State of Washington statutes general obligation indebtedness pursuant to a vote of the electorate is limited to 2.5% of actual value of taxable property located within the City. Indebtedness without a vote of the people is limited to 1.5% of actual value subject to the limitation that total general purpose indebtedness may not exceed 2.5% of total valuation. There is a 2.5% limitation each for utility purposes and open space and park facilities purposes. The remaining voted and non-voted GO debt capacities for General purposes of the City at December 31, 2016, are as follows:

	Amount
General Purposes Voted and Non-voted Debt - 2.5%	\$ 179,954,631
Utility Voted Debt - 2.5%	193,706,877
Open Space and Park Facilities Voted Debt - 2.5%	193,706,877
Total Remaining Debt Capacity	<u>\$567,368,385</u>

Leases

The City of Spokane Valley leases buildings and other equipment under non-cancelable operating lease agreements. Operating leases do not give rise to property rights or lease debt obligations, and therefore the results of these agreements are not reflected in the General Long-term Obligations of government activities. Total costs for such leases were \$494,108 for the fiscal year ending December 31, 2016. The future minimum lease payments for these leases are presented as follows (table follows):

Year Ending Dec. 31	Amount
2017	\$ 473,057
2018	21,951
2019	4,261
2020	4,261
2021	3,195
Total minimum future lease payments	<u>\$ 506,725</u>

The City's lease for the current city hall terminates at the end of the 36th month, or March 2017. The City negotiated a lease extension through Sept. 30, 2017 in the amount of \$36,222 per month for the months of January through March 2017 and \$54,334 per month for the months of April through September 2017, after which, the City will move into a New City Hall building.

City of Spokane Valley

Notes to Financial Statements

NOTE 10 – CONTINGENCIES AND LITIGATION:

In the normal course of governmental operations the City has claims filed against it for various losses related to tort actions for such things as wrongful acts, injuries, or damages for which a civil action can be brought, and other routine legal proceedings. At any given point in time, there is a recurring volume of tort and other claims for compensation and damages against the City, which could impact expenditures. The City's Risk Management fund provides for these claims, and insurance is available to pay a portion of damages for certain types of claims. The collective impact of these claims is not likely to have a material impact on the City's financial position.

The City participates in a number of federal-and-state assisted programs. These grants are subject to audit by the granting agencies and or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management does not believe that such disallowances, if any, will be material.

The City, together with other defendants including the County, is a party to a lawsuit where the plaintiffs allege that an auto collision in 2013 resulting in the deaths of two high school students was due to a defective road condition at the intersection where the collision occurred in unincorporated Spokane County. The complaint does not identify a specific amount of damages; however, the notice of claim filed with the City prior to filing the lawsuit requested payment of \$23.9 million. The City and the County deny the allegations, and the potential litigation is in the discovery phase. It is unknown at this time when and if the case will go to trial and what the possible outcome may be. If a judgment for damages is entered against the City, the City believes that its insurance policies and/or reserves will be sufficient to cover such damages and is not expected to have a material adverse effect on the City's finances.

In September 2012, the City entered into an interlocal agreement with the Spokane County Library District (Library) for the purpose of acquiring an 8.4 acre parcel of land that would in the future be developed as a joint City park and library. In October 2012, the City then purchased the 8.4 acre parcel of land at a cost of approximately \$2.5 million and the Library gave the City \$744,047 for its proportional share of the 2.5 acres allocated to their estimated needs. At that time the City recorded the entire \$2.5 million purchase as land owned by the City and the \$744,047 received from the Library as deferred revenue with the understanding that when a joint site development plan was complete the City would recognize the \$744,047 received from the Library as revenue, transfer title for this land to the Library, and remove \$744,047 of land from its capital assets.

In January 2014, it was determined that the Library required an additional 0.32 acres of land, bringing their share of the original 8.4 acre purchase up to 2.82 acres. The Library paid the City an additional \$95,238 for the proportional share of the .32 acres relative to the purchase price of the entire 8.4 acre purchase. This brought the Library's share of the land purchase up to a total of 2.82 acres at a cost of \$839,285. At that point the City declared this 2.82 acres surplus to its needs, transferred title for this land to the Spokane County Library District, recognized \$839,285 as revenue and removed the land from capital assets. The interlocal agreement also provided that if the Library had not within five years following the acquisition of the land (in October 2017), secured voter approval of a construction bond for the library building and ancillary improvements, that the land would be re-conveyed back to the City at the same price paid by the Library (\$839,285).

In June of 2016, the Spokane County Library District passed resolution 16-05 declaring it will not present a ballot issue to the public for a new library in Spokane Valley before 2018 and resolution 16-06 invoking the provision in the 2012 contract with the City of Spokane Valley for the City to repurchase property owned by the Library District. As of the date of the issuance of the financial statements, the interlocal agreement between the City and the District is still in effect, and the City and District are in discussions regarding this topic.

City of Spokane Valley

Notes to Financial Statements

NOTE 11 – RECEIVABLE AND PAYABLE BALANCES:

A) Receivables: Receivables at December 31, 2016, were as follows:

Governmental Type Activities	Accounts receivable (net)	Taxes receivable	Grants receivable	Due from other funds	Prepays & Interest receivables	Deferred outflows	Total receivables
General fund	\$ 1,395,001	\$ 4,769,194	\$ 50,234	\$ 548,500	\$ 95,587	\$ -	6,858,516
Street fund	115,553	471,012	6,050	-	5,218	-	597,833
Street capital projects fund	232,768	-	1,845,568	-	-	-	2,078,336
City hall construction fund	-	-	-	1,000,000	3,039	-	1,003,039
Other governmental funds	51,081	265,641	413,175	1,000,000	6,949	-	1,736,846
<i>Reconciliation of balances in the fund financial statements to government-wide financial statements</i>						578	1,022,715
Total Governmental type activities	\$ 1,794,403	\$ 5,505,847	\$ 2,315,027	\$ 2,548,500	\$ 111,371	\$ 1,022,715	\$ 13,297,863
Business Type Activities	Accounts receivable (net)	Taxes receivable	Grants receivable	Due from other funds	Prepays & Interest receivables	Deferred outflows	Total receivables
Stormwater management fund	\$ -	\$ 54,112	\$ 96,824	\$ -	\$ 1,030	\$ 54,394	\$ 206,360
Aquifer protection area fund	-	-	-	-	411	-	411
Total Business type activities	\$ -	\$ 54,112	\$ 96,824	\$ -	\$ 1,441	\$ 54,394	\$ 206,771

B) Payables: Payables at December 31, 2016, were as follows:

Governmental Type Activities	Accounts payables	Salaries & benefits payable	Due to other funds	Deposits payables	Other liabilities	Unearned Revenues	Deferred inflows	Total Payables
General fund	\$ 1,034,919	\$ 675,081	\$ -	\$ 1,175,977	\$ -	\$ 2,781,850	\$ -	\$ 5,667,827
Street fund	536,226	69,902	-	59,352	-	251,619	-	917,099
Street capital projects fund	400,000	20,022	1,700,000	87,056	-	231,913	-	2,438,991
City hall construction fund	617,017	-	-	265,599	-	-	-	882,616
Other governmental funds	117,464	10,155	848,500	44,635	-	88,417	-	1,109,171
<i>Reconciliation of balances in the fund financial statements to government-wide financial statements</i>						(3,353,799)	124,893	(3,226,837)
Total Governmental type activities	\$ 2,707,695	\$ 775,160	\$ 2,548,500	\$ 1,632,619	\$ -	\$ 124,893	\$ 7,788,867	
Business Type Activities	Accounts payables	Salaries & benefits payable	Due to other funds	Deposits payables	Other liabilities	Unearned Revenues	Deferred inflows	Total
Stormwater management fund	\$ 45,514	\$ 23,597	\$ -	\$ 78,621	\$ 342,791	\$ 127,984	\$ 6,642	\$ 625,149
Aquifer protection area fund	-	83	-	1,904	-	-	-	1,987
Total Business type activities	\$ 45,514	\$ 23,680	\$ -	\$ 80,525	\$ 342,791	\$ 127,984	\$ 6,642	\$ 627,136

C) Estimates related to Receivables: The City contracts with Spokane County for various services, including animal control, district court, emergency management, detention services, pretrial, prosecution, public defense, and law enforcement. Payments made on these contracts throughout the year are based upon costs incurred in the prior year and

City of Spokane Valley

Notes to Financial Statements

NOTE 11 – RECEIVABLE AND PAYABLE BALANCES *continued*:

reconciled to actual costs incurred during the current year through a settle and adjust process. Because the reconciliation of the underlying supporting data between City and County staff is a time consuming process, an estimate is made at year end for the settle and adjust amounts expected for each service contract. The estimate is then recorded as either a liability or receivable, depending on whether the City estimates that additional funds will be owed to the County or that the City will receive a refund for overpayment, along with a corresponding increase or decrease in expenditure.

Liability and receivable balances related to settle and adjust estimates as of December 31, 2016, are as follows:

Contract Year	(Liability) or Receivable Balance		New Estimate	Amount Settled in 2016	(Liability) or Receivable Balance	
	1/1/16	Made			12/31/16	
2011	\$ (17,589)	\$ -		-		(17,589)
2012	(6,669)	-		-		(6,669)
2013	(213,940)	-		-		(213,940)
2014	881,811	-		(759,581)		122,230
2015	538,012	425,455		(193,306)		770,161
2016	-	(607,103)		-		(607,103)

For 2014, the City estimated that it would receive a net refund from the County on the contracted services for a total recorded receivable of \$764,390. However, \$449,448 of this amount was deferred and no adjustment to expenditures was recorded due to several of the estimates having a greater amount of uncertainty. During 2016, the City recorded various amounts that were settled on the contracts with the County as is reflected in the table above. The deferred amounts were reduced and recognized as a reduction in expenditures for the settled contracts. There is \$94,235 remaining as deferred at yearend.

During early 2017, the City was notified that the 2015 Sheriff contract was settled with a result of the County owing the City a refund for overpayment in the amount of \$912,756 as compared to the original receivable of \$487,301 that was estimated at the end of 2015. In order to properly reflect the new balance of the receivable, the City recorded an additional receivable balance and reduction in expenditure of \$425,455 as of the end of 2015. The settlement will be received by the City throughout 2017 as reflected as a reduction in the amount owed on the Sheriff Law Enforcement contract invoices each month.

For 2016, the City estimated that it would owe a net payable to the County on the contracted services for a total recorded payable of \$607,103, which was adjusted against the 2016 contract expenditures.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Health & Welfare - Association of Washington Cities Employee Benefit Trust (“Trust”)

In addition to the Public Employee’s Pension Plans described in **Note 6**, the City of Spokane Valley is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal

City of Spokane Valley

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) continued:

Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health Cooperative/Group Health Options, Inc, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

The Trust provides that contribution requirements of Participating Employer and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

City of Spokane Valley

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) continued:

Asuris HealthFirst 1000	Monthly Amounts
Non-Medicare enrolled retiree coverage	\$ 734.37
Non-Medicare enrolled spouse coverage	\$ 740.78
First Child	\$ 207.67
Second Child	\$ 164.23

Asuris HealthFirst 2500	Monthly Amounts
Non-Medicare enrolled retiree coverage	\$ 641.21
Non-Medicare enrolled spouse coverage	\$ 645.87
First Child	\$ 181.55
Second Child	\$ 143.71

Asuris Plan R-1500	Monthly Amounts
Non-Medicare enrolled retiree coverage	\$ 1,304.75
Non-Medicare enrolled spouse coverage	\$ 1,310.03
First Child	\$ 371.44
Second Child	\$ 312.63

Asuris Medicare Advantage	Monthly Amounts
Retiree w/ Medicare A&B	\$ 385.23
Spouse w/ Medicare A&B	\$ 385.23

Kaiser Permanente Retiree	Monthly Amounts
Non-Medicare enrolled retiree coverage	\$ 1,218.17
Non-Medicare enrolled spouse coverage	\$ 1,182.67
Medicare enrolled retiree coverage	\$ 407.94
Medicare enrolled spouse coverage	\$ 407.94
First dependent	\$ 354.38
Second & all other dependents	\$ 441.72

City of Spokane Valley

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) continued:

Delta Dental Retiree	Monthly Amounts
Retiree	\$ 61.54
Retiree + spouse	\$ 125.42
Retiree + child(ren)	\$ 124.57
Retiree + spouse + child(ren)	<u>\$ 187.11</u>

Participating employers are not contractually required to contribute to the Trust. The retirees who elect coverage through the Trust pay 100 percent of the premium. As such, the City of Spokane Valley did not have any contributions to the Trust for the year ended December 31, 2016.

Funding Status and Funding Progress: The funded status of the AWC Employee Benefits Trust Health Care Program as of January 1, 2016, which was the date of the last actuarial valuation, was as follows (*dollars in thousands*):

Actuarial accrued liability (AAL)	\$ 6,263
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,263</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	N/A ¹
UAAL as a percentage of covered payroll	N/A ¹

¹ *Covered Payroll information was not provided to the AWC Trust.*

The schedule of funding progress is also presented as *required supplementary information* (RSI) following these Notes to the Financial Statements, and the schedule presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The AWC Employees Benefits Trust had substantial assets recorded as of December 31, 2016. *Because those assets have not been placed into an irrevocable trust for the sole purpose of providing the above OPEB benefits, the AWC understands that they cannot be reflected as “actuarial assets” in the precedent table under GASB 43 in determining the remaining values for this Trust.*

The AWC Employee Benefits Trust’s annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 will be determined with the next conducted actuarial analyses scheduled for January 1, 2017. The reported years of 2009 through 2016 were as follows (*dollars in thousands*):

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 29,872	7.86%	\$ 55,364
12/31/2010	27,892	4.42%	82,022
12/31/2012	12,885	7.77%	130,474
12/31/2013	11,858	9.20%	141,241
12/31/2014	1,273	61.19%	34,407
12/31/2015	83 ¹	310.89% ¹	5,911
12/31/2016	650	39.69%	6,263

1) Adjustments to Net OPEB Obligation reported

City of Spokane Valley

Notes to Financial Statements

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) *continued:*

The Governmental Accounting Standards Board (GASB) reporting standards and Statements numbers 43 & 45 mandates the precedent reporting requirements and disclosures for Postemployment Benefits Plan other than Pension Plans, or OPEB. The AWC has chosen to adopt and provide these reporting standards to the participating employers within the AWC Employee Benefits Trust. Also, it is important to note that only those jurisdictions that follow Generally Accepted Accounting Principles (GAAP) must comply and report under GASB Statements 43 and 45. All costs, liabilities, interest rates, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable, taking into account experience and reasonable expectations, and which combinations offer the best estimate of anticipated experience.

NOTE 13 – SUBSEQUENT EVENTS:

Effective April 1, 2017, the City implemented a reorganization. The reorganization eliminated the Public Works and Community and Economic Development Departments and created a new Community and Public Works Department. The new Department is split into three separate divisions which are supervised by the Deputy City Manager.

City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

Required Supplementary Information

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget to Actual

General Fund, Major Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget	
	Approved Original Budget	Final Amended Budget	Actual		
	1	Over (Under)			
Revenues					
Taxes	\$ 32,447,200	\$ 32,717,200	\$ 34,236,548	\$ 1,519,348	
Licenses and permits	2,234,300	2,234,300	3,115,336	881,036	
Intergovernmental revenues	2,081,528	2,117,928	2,260,647	142,719	
Charges for services	1,241,600	1,254,600	1,632,688	378,088	
Fines and forfeitures	570,900	570,900	478,617	(92,283)	
Investment interest	45,000	45,000	158,446	1	113,446
Miscellaneous	734,800	734,800	800,139	65,339	
<i>Total Revenues</i>	<i>39,355,328</i>	<i>39,674,728</i>	<i>42,682,421</i>	<i>3,007,693</i>	
Expenditures					
Current:					
General government	5,141,899	5,665,515	5,017,096	(648,419)	
Public safety	24,840,749	24,865,749	23,106,828	(1,758,921)	
Utilities and physical environment	2,311,035	2,311,035	2,039,914	(271,121)	
Economic environment	160,000	160,000	596,718	436,718	
Community development	2,653,901	2,653,901	2,039,438	(614,463)	
Culture and recreation	2,802,615	2,861,315	2,851,274	(10,041)	
Debt service:					
Interest expense	-	-	624	624	
Capital Outlay:					
Capital expenditures	291,281	297,681	387,002	89,321	
Construction in progress	-	-	-	-	
<i>Total Expenditures</i>	<i>38,201,480</i>	<i>38,815,196</i>	<i>36,038,894</i>	<i>(2,776,302)</i>	
<i>Excess (Deficiency) of Revenues</i>	<i>1,153,848</i>	<i>859,532</i>	<i>6,643,527</i>	<i>5,783,995</i>	
<i>Over (Under) Expenditures</i>					
Other Financing Sources (Uses)					
Transfers in	123,525	322,259	322,259	-	
Transfers (out)	(1,773,000)	(3,924,400)	(3,915,622)	(8,778)	
<i>Total Other Financing Sources (Uses)</i>	<i>(1,649,475)</i>	<i>(3,602,141)</i>	<i>(3,593,363)</i>	<i>(8,778)</i>	
<i>Net Change in Fund Balances (deficit)</i>	<i>(495,627)</i>	<i>(2,742,609)</i>	<i>3,050,164</i>	1	<i>5,792,773</i>
<i>Fund Balances Beginning of Year:</i>	<i>31,807,233</i>	<i>31,807,233</i>	<i>31,807,233</i>	1	<i>-</i>
<i>Fund Balances End of Year:</i>	<i>\$ 31,311,606</i>	<i>\$ 29,064,624</i>	<i>\$ 34,857,397</i>	1	<i>\$ 5,792,773</i>

¹ While applying the GASB-54 reporting standard, total fund balance end of the year increased by \$3,050,164, the net change in fund balances of \$3,028,528, increased by \$21,636 due to investment interest, resulting in an increase of \$3,050,164 to beginning fund balance from the two combined Non-major Special Revenue Funds; as reported in the General Fund on the Statement of Rev, Expend, and Changes in Fund Balances.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Street Fund, Major Fund

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Approved Original Budget	Final Amended Budget	Actual	
Revenues				
Taxes	\$ 2,340,000	\$ 2,340,000	\$ 2,069,347	\$ (270,653)
Intergovernmental revenues	2,004,900	2,004,900	2,113,445	108,545
Charges for services	-	50,000	56,035	6,035
Investment interest	3,000	3,000	5,886	2,886
Miscellaneous	10,000	56,000	59,614	3,614
<i>Total Revenues</i>	<i>4,357,900</i>	<i>4,453,900</i>	<i>4,304,327</i>	<i>(149,573)</i>
Expenditures				
Current:				
Utilities and physical environment	100,000	100,000	152,649	52,649
Transportation	4,150,858	4,150,858	4,103,179	(47,679)
Debt Service:				
Principal retirement	-	-	-	-
Capital Outlay:				
Capital expenditures	25,000	71,000	66,030	(4,970)
Construction in progress	-	-	-	-
<i>Total Expenditures</i>	<i>4,275,858</i>	<i>4,321,858</i>	<i>4,321,858</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>82,042</i>	<i>132,042</i>	<i>(17,531)</i>	<i>(149,573)</i>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	(107,042)	(107,042)	(107,042)	-
<i>Total Other Financing Sources (Uses)</i>	<i>(107,042)</i>	<i>(107,042)</i>	<i>(107,042)</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(25,000)</i>	<i>25,000</i>	<i>(124,573)</i>	<i>(149,573)</i>
<i>Fund Balances Beginning of Year</i>	<i>1,443,077</i>	<i>1,443,077</i>	<i>1,443,077</i>	<i>-</i>
<i>Fund Balances End of Year (Deficit)</i>	<i>\$ 1,418,077</i>	<i>\$ 1,468,077</i>	<i>\$ 1,318,504</i>	<i>\$ (149,573)</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley
Schedule of Proportionate Share of Net Pension Liability
PERS 1
For the Year Ended December 31, 2016

	Fiscal Year 2015	Fiscal Year 2016
Employer's proportion of the net pension liability (asset)	0.052995%	0.053037%
Employer's proportionate share of the net pension liability	\$ 2,772,131	\$ 2,848,337
Total	\$ 2,772,131	\$ 2,848,337
Employer's covered employee payroll	\$ 6,520,390	\$ 6,628,805
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	42.51%	42.97%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%
<i>Provided from note 2 of DRS Participating Employer Financial Information report (PEFI) for the % of each plan.¹</i>		

¹ Measurement date of June 30, 2016, for the State sponsored pension plans.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley
Schedule of Proportionate Share of Net Pension Liability
PERS 2/3
For the Year Ended December 31, 2016

	Fiscal Year 2015	Fiscal Year 2016
Employer's proportion of the net pension liability (asset)	0.068456%	0.067862%
Employer's proportionate share of the net pension liability	\$ 2,445,972	\$ 3,416,798
Total	\$ 2,445,972	\$ 3,416,798
Employer's covered employee payroll	\$ 6,520,390	\$ 6,628,805
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	37.51%	51.54%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%
<i>Provided from note 2 of DRS Participating Employer Financial Information report (PEFI) for the % of each plan.¹</i>		

¹ Measurement date of June 30, 2016, for the State sponsored pension plans.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

*City of Spokane Valley
 Schedule of Employer Contributions
 PERS 1 (two year trend) ¹
 For the Year Ended December 31, 2016*

	Fiscal Year 2015	Fiscal Year 2016
Statutorily or contractually required contributions	\$ 274,474	\$ 305,736
Contributions in relation to the statutorily or contractually required contributions	\$ (274,474)	\$ (305,736)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered employee payroll	\$ 6,520,390	\$ 6,628,805
Contributions as a percentage of covered employee payroll	<u>4.21%</u>	<u>4.61%</u>
<i>City of Spokane Valley does "not" currently have active PERS 1 pension plan participants. As such, PERS 1 contributions represent the Unfunded Actuarial Liability (UAAL) as calculated by The Department of Retirement Systems.</i>		

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley
Schedule of Employer Contributions
PERS 2/3 (two year trend) ¹
For the Year Ended December 31, 2016

	Fiscal Year 2015	Fiscal Year 2016
Statutorily or contractually required contributions	\$ 352,459	\$ 399,315
Contributions in relation to the statutorily or contractually required contributions	\$ (1,007,229)	\$ (399,315)
Contribution deficiency (excess)	\$ (654,770)	\$ -
Employer's covered employee payroll	\$ 6,520,390	\$ 6,628,805
Contributions as a percentage of covered employee payroll	5.41%	6.02%
<i>1) Until a full 10-year trend can be compiled, two year trend information is presented for the PERS 2/3 pension plan as of 12/31/2016.</i>		

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Supplementary Information

City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

Non-Major Special Revenue Funds

Special Revenue Funds: are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes and activities other than debt service or capital projects.

Trails & Paths Special Revenue Fund ----- accounts for the receipts and expenditures from the State-Levied motor vehicle fuel tax distributed to the City according to State RCW 47.30.050. These revenues originate from a share of 0.42% from the motor vehicle fuel tax that's attributable to Street Maintenance. These funds are restricted for the primary purpose of constructing and maintaining new trails and paths throughout the City.

Tourism Facilities Hotel/Motel Tax Fund ----- accounts for the receipts and expenditures related to a special excise tax of 1.3% on the sale or charge made for the furnishing of lodging under Washington State RCW 82.08. These resources may only be used for capital related expenditures for acquiring, constructing, making improvements to or other related capital expenditures for large sporting venues, or venues for tourism-related facilities.

Hotel/Motel Special Revenue Fund ----- accounts for both receipts and expenditures related to a special excise tax of two percent from the sale or charge made of furnishing lodging under State RCW 67.28.180. These funds are solely used for the purpose of paying all or any part of the cost from tourist promotion, acquisition or operation of tourism related facilities, and marketing those special events and festivals designed to attract more attention to the City increasing tourism.

Solid Waste Fund ----- revenues are collected by way of a contract with Sunshine Recyclers and the City of Spokane Valley, effective as of November 17, 2014. The ten year contract imposes an annual administrative fee of \$125,000 for solid waste disposal and waste transfer services provided to the Valley Public by Sunshine Recyclers.

PEG Fund ----- restricted financial resources and capital contributions received quarterly under the City's cable franchise. The franchise grantee remits to the City as a capital contribution in support of the Public Education Government (PEG) capital requirements in an amount equal to \$0.35 per subscriber per month and to be paid to the City on a quarterly basis during the life of the franchise. These Capital contributions collected under this agreement are then allocated and used exclusively for PEG capital purposes. PEG capital uses include, in part, the set up of equipment in the City Council Chambers to allow Spokane Valley to broadcast Council meetings both in live and through subsequent reviews format via digital recordings on the City's website.

Winter Weather Reserve Fund ----- allocated reserve of money and financial resources specifically designated for the purpose of providing emergency road-infrastructure services during extreme and harsh winter weather circumstances.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Non-Major Debt Service Funds

Debt Service Funds: are used to account for financial resources accumulated for the purposes of payments made to the principal and interest on long-term debt of the City of Spokane Valley's governmental funds.

LTGO Debt Service Fund ----- The City of Spokane Valley's Limited Tax General Obligation (LTGO) Debt Service Fund collects and distributes financial resources received and paid for the payment of long-term debt obligations. Revenue consists of funding received from the Public Facility District and City's revenue sources. These financial resources are used to pay the required annual obligations on outstanding LTGO bonds.

City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

Non-Major Capital Project Funds

Capital Project Funds: are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities, improvements, and other capital assets.

Civic Facilities Replacement Fund ----- Delegated authorized reserves of funding and financial resources specifically established for the purpose of setting aside capital replacement funds for the City's Buildings.

REET 1 Capital Projects Fund ----- The Capital Projects Fund serves as a restricted REET 1 service and matching fund for various major construction projects. This fund accounts for the collection and expenditure of the real estate excise tax (REET) revenue, the 1st quarter of 1% is levied on all sales of real estate property within the city. This 1st quarter is a restricted portion of tax receipts collected, received, and spent on specific capital improvements identified in the City's Capital Improvements Plan.

REET 2 Capital Projects Fund ----- The Special Capital Projects Fund serves as a matching fund for various special construction projects. This fund accounts for the collection and expenditure of the real estate excise tax (REET) revenue, the 2nd quarter of 1% is levied on all sales of real estate property within the city. This 2nd quarter REET 2 is a restricted portion of tax receipts received, collected, and spent on specific capital improvements identified in the City's Capital Improvements Plan.

Parks Capital Projects Fund ----- Accounts for the City's park capital improvement projects funded by revenues that are allocated as reserve or specifically designated for Parks and Recreational Capital plans including: future expansion of parks, construction, improvements, and long-term maintenance of all the City's park facilities.

Civic Buildings Capital Projects Fund ----- Accounts for capital improvement projects funded by revenues allocated as a reserve or specifically designated for future expansion and construction of Civic Buildings for the City of Spokane Valley. Revenues are in the form of transfers from the General Fund.

Pavement Preservation Fund ----- Accounts for pavement preservation projects. Revenues include transfers from the General Fund, Street Fund, Civic Facilities Replacement Fund, REET 1 Capital Projects Fund, and REET 2 Capital Projects Fund, as well as Federal, State and local grants.

Capital Reserve Fund ----- The Capital Reserve Fund accounts for the accumulation of resources for a number of future City of Spokane Valley capital projects. Revenues include transfers from the General Fund.

Railroad Grade Separation Projects Fund ----- Accounts for the design and construction costs of various railroad grade separation projects that are included in the Bridging the Valley concept. Revenues for this fund consist of grant proceeds and transfers in from other City funds, such as General Fund, REET 1 Capital Projects Fund, and the Capital Reserve Fund.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Financial Statements Non-Major Funds

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Balance Sheet
Non-major Governmental Funds
December 31, 2016

	Non-major Special Revenue Funds	Non-major Debt Service Fund	Non-major Capital Projects Funds	Total Non-major Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,525,749	\$ 4,049	\$ 11,993,032	\$ 13,522,830
Taxes receivable	101,461	-	164,180	265,641
Accounts receivable, (net)	51,081	-	-	51,081
Interest receivable	731	-	5,978	6,709
Due from other funds	-	-	1,000,000	1,000,000
Grants receivable	32,684	-	380,491	413,175
Prepaid Expenses	240	-	-	240
Total Assets	\$ 1,711,946	\$ 4,049	\$ 13,543,681	\$ 15,259,676
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 67,057	\$ -	\$ 50,407	\$ 117,464
Accrued payroll payable	535	-	9,620	10,155
Retainage payable	-	-	44,635	44,635
Go bonds payable - current	-	-	-	-
Interest payable	-	-	-	-
Due to other funds	178,500	-	670,000	848,500
Unearned revenue	75,150	-	13,267	88,417
Total Liabilities	321,242	-	787,929	1,109,171
Fund Balances:				
Nonspendable:				
Prepaid expenses	240	-	-	240
Restricted for:				
Trails & paths	37,384	-	-	37,384
Hotel & motel tourism facilities promotion	571,232	-	-	571,232
Hotel & motel tourism promotion	219,790	-	-	219,790
Solid waste activities	26,399	-	-	26,399
PEG capital uses	240,341	-	-	240,341
Windstorm 2015 - FEMA grant	6,285	-	-	6,285
Debt service LTGO bonds fund	-	4,049	-	4,049
Capital projects REET 1 roads & streets	-	-	1,746,393	1,746,393
Capital projects REET 2 roads & streets	-	-	2,300,560	2,300,560
Parks & recreational activities	-	-	49,416	49,416
Street capital improvements p&m	-	-	331,075	331,075
Committed to:				
Winter weather street operations	236,550	-	-	236,550
Assigned to:				
Solid waste services	52,483	-	-	52,483
Civic building capital replacement	-	-	1,333,159	1,333,159
Parks & recreation capital improvements	-	-	62,298	62,298
Street capital improvements p&m	-	-	2,622,489	2,622,489
Capital reserve improvements (city wide)	-	-	4,310,362	4,310,362
Unassigned:	-	-	-	-
Total Fund Balances	1,390,704	4,049	12,755,752	14,150,505
Total Liabilities and Fund Balances	\$1,711,946	\$4,049	\$13,543,681	\$15,259,676

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Balance Sheet

Non-major Special Revenue Funds

December 31, 2016

Assets	Tourism Facilities			
	Trails & Paths		Hotel/Motel	
	Fund	Fund	Fund	Fund
Cash and cash equivalents	\$ 37,223	\$ 549,234	\$ 266,732	\$ 48,753
Taxes receivable	1,274	39,499	60,688	-
Accounts receivable, (net)	-	-	-	31,250
Interest receivable	20	238	142	23
Grants receivable	-	-	-	26,399
Prepaid expenses	-	-	-	240
Total Assets	\$ 38,517	\$ 588,971	\$ 327,562	\$ 106,665
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 54,562	\$ 609
Accrued payroll payable	-	-	-	535
Due to other funds	500	-	26,000	-
Unearned revenue	633	17,739	27,210	26,399
Total Liabilities	1,133	17,739	107,772	27,543
Fund Balances:				
Nonspendable:				
Prepaid expenses	-	-	-	240
Restricted for:				
Trails & paths	37,384	-	-	-
Hotel & motel tourism facilities promotion	-	571,232	-	-
Hotel & motel tourism promotion	-	-	219,790	-
Solid waste activities	-	-	-	26,399
PEG capital uses	-	-	-	-
Windstorm 2015 - FEMA grant	-	-	-	-
Committed to:				
Winter weather street operations	-	-	-	-
Assigned to:				
Solid waste services	-	-	-	52,483
Total Fund Balances	37,384	571,232	219,790	79,122
Total Liabilities and Fund Balances	\$ 38,517	\$ 588,971	\$ 327,562	\$ 106,665

continued

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Balance Sheet

Non-major Special Revenue Funds

December 31, 2016

	PEG Fund	Winter Weather Reserve Fund	Total Non-major Special Revenue Funds	
Assets				
Cash and cash equivalents	\$ 232,296	\$ 391,511	\$ 1,525,749	
Taxes receivable	-	-	101,461	
Accounts receivable, (net)	19,831	-	51,081	
Interest receivable	100	208	731	
Grants receivable	-	6,285	32,684	
Prepaid expenses	-	-	240	
Total Assets	\$ 252,227	\$ 398,004	\$ 1,711,946	
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 11,886	\$ -	\$ 67,057	
Accrued payroll payable	-	-	535	
Due to other funds	-	152,000	178,500	
Unearned revenue	-	3,169	75,150	
Total Liabilities	11,886	155,169	321,242	
Fund Balances:				
Restricted for:				
Prepaid expenses	-	-	240	
Restricted for:				
Trails & paths	-	-	37,384	
Hotel & motel tourism facilities promotion	-	-	571,232	
Hotel & motel tourism promotion	-	-	219,790	
Solid waste activities	-	-	26,399	
PEG capital uses	240,341	-	240,341	
Windstorm 2015 - FEMA grant	-	6,285	6,285	
Committed to:				
Winter weather street operations	-	236,550	236,550	
Assigned to:				
Solid waste services	-	-	52,483	
Total Fund Balances	240,341	242,835	1,390,704	
Total Liabilities and Fund Balances	\$ 252,227	\$ 398,004	\$ 1,711,946	

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Balance Sheet

Non-major Debt Service Fund

December 31, 2016

	Debt Service Fund
Assets	
Cash and cash equivalents	\$ 4,049
Taxes receivable	-
Accounts receivable, (net)	-
Interest receivable	-
Due from other funds	-
Grants receivable	-
Prepaid Expenses	-
Total Assets	\$ 4,049
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ -
Accrue payroll payable	-
Retainage payable	-
Go bonds payable - current	-
Interest payable	-
Due to other funds	-
Other accrued liabilities	-
Total Liabilities	\$ -
Fund Balances:	
Restricted for:	
Arterial street projects	-
Trails & paths	-
Debt service LTGO bonds fund	4,049
Capital projects REET 1 roads & streets	-
Capital projects REET 2 roads & streets	-
Capital grants	-
Committed to:	
Winter weather street operations	-
Assigned to:	
Solid Waste Services	-
Civic city facilities replacement	-
Civic bldg's capital replacement	-
Parks & recreation capital improvements	-
Unassigned:	-
Total Fund Balances	\$ 4,049
Total Liabilities and Fund Balances	\$4,049

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Balance Sheet

Non-major Capital Project Funds

December 31, 2016

	Civic Facilities Replacement Fund	REET 1 Capital Projects Fund	REET 2 Capital Projects Fund	Parks Capital Projects Fund	Civic Buildings Capital Projects Fund
Assets					
Cash and cash equivalents	\$ -	\$ 2,068,198	\$ 2,217,297	\$ 102,166	\$ 1,332,583
Taxes receivable	-	82,090	82,090	-	-
Interest receivable	-	1,105	1,173	-	576
Due from other funds	-	-	-	-	-
Grants receivable	-	-	-	49,416	-
Total Assets	\$ -	\$ 2,151,393	\$ 2,300,560	\$ 151,582	\$ 1,333,159
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 21,065	\$ -
Accrued payroll payable	-	-	-	788	-
Retainage payable	-	-	-	11,435	-
Due to other funds	-	405,000	-	-	-
Unearned revenue	-	-	-	6,580	-
Total Liabilities	\$ -	\$ 405,000	\$ -	\$ 39,868	\$ -
Fund Balances:					
Restricted for:					
Capital projects REET 1 roads & streets	-	1,746,393	-	-	-
Capital projects REET 2 roads & streets	-	-	2,300,560	-	-
Parks & recreational activities	-	-	-	49,416	-
Street capital improvements p&m	-	-	-	-	-
Assigned to:					
Civic building capital replacement	-	-	-	-	1,333,159
Parks & recreation capital improvements	-	-	-	62,298	-
Street capital improvements p&m	-	-	-	-	-
Capital reserve improvements (city wide)	-	-	-	-	-
Total Fund Balances	\$ -	\$ 1,746,393	\$ 2,300,560	\$ 111,714	\$ 1,333,159
Total Liabilities and Fund Balances	\$ -	\$ 2,151,393	\$ 2,300,560	\$ 151,582	\$ 1,333,159

continued

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Balance Sheet

Non-major Capital Project Funds

December 31, 2016

	Pavement Preservation Fund	Capital Reserve Fund	Railroad Grade Separation Projects Fund	Total Non-major Capital Projects Funds
Assets				
Cash and cash equivalents	\$ 1,696,411	\$ 4,572,687	\$ 3,690	\$ 11,993,032
Taxes receivable	-	-	-	164,180
Interest receivable	449	2,675	-	5,978
Due from other funds	1,000,000	-	-	1,000,000
Grants receivable	331,075	-	-	380,491
Total Assets	\$ 3,027,935	\$ 4,575,362	\$ 3,690	\$ 13,543,681
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,785	\$ -	\$ 2,557	\$ 50,407
Accrued payroll payable	7,699	-	1,133	9,620
Retainage payable	33,200	-	-	44,635
Due to other funds	-	265,000	-	670,000
Unearned revenue	6,687	-	-	13,267
Total Liabilities	74,371	265,000	3,690	787,929
Fund Balances:				
Restricted for:				
Capital projects REET 1 roads & streets	-	-	-	1,746,393
Capital projects REET 2 roads & streets	-	-	-	2,300,560
Parks & recreational activities	-	-	-	49,416
Street capital improvements p&m	331,075	-	-	331,075
Assigned to:				
Civic building capital replacement	-	-	-	1,333,159
Parks & recreation capital improvements	-	-	-	62,298
Street capital improvements p&m	2,622,489	-	-	2,622,489
Capital reserve improvements (city wide)	-	4,310,362	-	4,310,362
Total Fund Balances	2,953,564	4,310,362	-	12,755,752
Total Liabilities and Fund Balances	\$ 3,027,935	\$ 4,575,362	\$ 3,690	\$ 13,543,681

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Governmental Funds

For the Year Ended December 31, 2016

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 983,706	\$ -	\$ 2,353,822	\$ 3,337,528
Licenses and permits	79,427	-	-	79,427
Intergovernmental revenues	64,941	380,300	1,826,802	2,272,043
Charges for services	125,000	-	-	125,000
Investment interest	5,926	-	45,909	51,835
Miscellaneous revenues	-	-	7,857	7,857
<i>Total Revenues</i>	1,259,000	380,300	4,234,390	5,873,690
Expenditures				
Current:				
General government	117,000	-	-	117,000
Public safety	-	-	-	-
Utilities and physical environment	66,188	-	-	66,188
Transportation	257,445	-	-	257,445
Economic environment	498,172	-	-	498,172
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	390,000	-	390,000
Interest expense	-	355,834	-	355,834
Bonds issuance costs	-	-	-	-
Capital Outlay:				
Capital expenditures	24,052	-	345,732	369,784
Construction in progress	-	-	3,818,899	3,818,899
<i>Total Expenditures</i>	962,857	745,834	4,164,631	5,873,322
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	296,143	(365,534)	69,759	368
Other Financing Sources				
Transfers In	15,043	365,534	4,856,250	5,236,827
Transfers (out)	(138,113)	-	(4,514,575)	(4,652,688)
<i>Total Other Financing Sources</i>	(123,070)	365,534	341,675	584,139
<i>Net Change in Fund Balances (deficit)</i>	173,073	-	411,434	584,507
<i>Fund Balances Beginning of Year</i>	1,217,631	4,049	12,344,318	13,565,998
<i>Fund Balances End of Year</i>	\$ 1,390,704	\$ 4,049	\$ 12,755,752	\$ 14,150,505

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Special Revenue Funds

For the Year Ended December 31, 2016

	Trails & Paths Fund	Tourism Facilities Motel/Fund	Hotel Motel Fund	Solid Waste Fund
Revenues				
Taxes	\$ -	\$ 387,333	\$ 596,373	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	8,460	-	-	17,677
Charges for services	-	-	-	125,000
Investment interest	170	1,552	1,275	184
Miscellaneous revenues	-	-	-	-
<i>Total Revenues</i>	<u>8,630</u>	<u>388,885</u>	<u>597,648</u>	<u>142,861</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and physical environment	-	-	-	66,188
Transportation	-	-	-	-
Economic environment	-	-	498,172	-
Culture and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Capital Outlay:				
Capital expenditures	-	-	-	-
Construction in progress	-	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>498,172</u>	<u>66,188</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>8,630</u>	<u>388,885</u>	<u>99,476</u>	<u>76,673</u>
Other Financing Sources				
Transfers in	-	-	-	-
Transfers (out)	<u>(9,300)</u>	<u>-</u>	<u>(88,388)</u>	<u>(40,425)</u>
<i>Total Other Financing Sources</i>	<u>(9,300)</u>	<u>-</u>	<u>(88,388)</u>	<u>(40,425)</u>
<i>Net Change in Fund Balances (deficit)</i>	<u>(670)</u>	<u>388,885</u>	<u>11,088</u>	<u>36,248</u>
<i>Fund Balances Beginning of Year</i>	<u>38,054</u>	<u>182,347</u>	<u>208,702</u>	<u>42,874</u>
<i>Fund Balances End of Year</i>	<u>\$ 37,384</u>	<u>\$ 571,232</u>	<u>\$ 219,790</u>	<u>\$ 79,122</u>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Special Revenue Funds

For the Year Ended December 31, 2016

	PEG Fund	Winter Weather Reserve Fund	Total Non-major Special Revenue Funds
Revenues			
Taxes	\$ -	\$ -	\$ 983,706
Licenses and permits	79,427	-	79,427
Intergovernmental revenues	-	38,804	64,941
Charges for services	-	-	125,000
Investment interest	784	1,961	5,926
Miscellaneous revenues	-	-	-
<i>Total Revenues</i>	<u>80,211</u>	<u>40,765</u>	<u>1,259,000</u>
Expenditures			
Current:			
General government	117,000	-	117,000
Public safety	-	-	-
Utilities and physical environment	-	-	66,188
Transportation	-	257,445	257,445
Economic environment	-	-	498,172
Culture and recreation	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest expense	-	-	-
Capital Outlay:			
Capital expenditures	24,052	-	24,052
Construction in progress	-	-	-
<i>Total Expenditures</i>	<u>141,052</u>	<u>257,445</u>	<u>962,857</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(60,841)</u>	<u>(216,680)</u>	<u>296,143</u>
Other Financing Sources			
Transfers in	-	15,043	15,043
Transfers (out)	-	-	(138,113)
<i>Total Other Financing Sources</i>	<u>-</u>	<u>15,043</u>	<u>(123,070)</u>
<i>Net Change in Fund Balances (deficit)</i>	<u>(60,841)</u>	<u>(201,637)</u>	<u>173,073</u>
<i>Fund Balances Beginning of Year</i>	<u>301,182</u>	<u>444,472</u>	<u>1,217,631</u>
<i>Fund Balances End of Year</i>	<u>\$ 240,341</u>	<u>\$ 242,835</u>	<u>\$ 1,390,704</u>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Debt Service Funds (LTGO Bonds Fund)

For the Year Ended December 31, 2016

	Debt Service LTGO Bonds Fund
Revenues	
Taxes	\$ -
Intergovernmental revenues	380,300
Investment interest	-
Miscellaneous revenues	-
<i>Total Revenues</i>	<i>380,300</i>
Expenditures	
Current:	
General government	-
Debt service:	
Principal retirement	390,000
Interest expense	355,834
Bonds issuance costs	-
Capital Outlay:	
Capital expenditures	-
Construction in progress	-
<i>Total Expenditures</i>	<i>745,834</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(365,534)</i>
Other Financing Sources	
Transfers In	365,534
Transfers (out)	-
<i>Total Other Financing Sources</i>	<i>365,534</i>
<i>Net Change in Fund Balances</i>	<i>-</i>
<i>Fund Balances Beginning of Year</i>	<i>4,049</i>
<i>Fund Balances End of Year</i>	<i>\$ 4,049</i>

City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-major Capital Project Funds

For the Year Ended December 31, 2016

	Civic Facilities Replacement Fund	REET 1 Capital Projects Fund	REET 2 Capital Projects Fund	Parks Capital Projects Fund	Civic Bldgs Capital Projects Fund
Revenues					
Taxes	\$ -	\$ 1,176,911	\$ 1,176,911	\$ -	\$ -
Intergovernmental revenues	-	-	-	172,104	-
Investment interest	696	7,609	8,189	725	5,145
Miscellaneous revenues	-	-	-	7,857	-
<i>Total Revenues</i>	<i>696</i>	<i>1,184,520</i>	<i>1,185,100</i>	<i>180,686</i>	<i>5,145</i>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Utilities and physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest expense	-	-	-	-	-
Capital Outlay:					
Capital expenditures	-	-	-	328,864	-
Construction in progress	-	-	-	203,510	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>532,374</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>696</i>	<i>1,184,520</i>	<i>1,185,100</i>	<i>(351,688)</i>	<i>5,145</i>
Other Financing Sources					
Transfers in	-	-	-	364,941	344,200
Transfers (out)	(559,804)	(1,032,215)	(612,837)	-	(198,734)
<i>Total Other Financing Sources</i>	<i>(559,804)</i>	<i>(1,032,215)</i>	<i>(612,837)</i>	<i>364,941</i>	<i>145,466</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(559,108)</i>	<i>152,305</i>	<i>572,263</i>	<i>13,253</i>	<i>150,611</i>
<i>Fund Balances Beginning of Year</i>	<i>559,108</i>	<i>1,594,088</i>	<i>1,728,297</i>	<i>98,461</i>	<i>1,182,548</i>
<i>Fund Balances End of Year</i>	<i>\$ -</i>	<i>\$ 1,746,393</i>	<i>\$ 2,300,560</i>	<i>\$ 111,714</i>	<i>\$ 1,333,159</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Capital Project Funds
For the Year Ended December 31, 2016

	Pavement Preservation Fund	Capital Reserve Fund	Railroad Grade Separation Projects Fund	Total Non-major Capital Projects Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 2,353,822
Intergovernmental revenues	1,654,698	-	-	1,826,802
Investment interest	7,518	16,027	-	45,909
Miscellaneous revenues	-	-	-	7,857
<i>Total Revenues</i>	<i>1,662,216</i>	<i>16,027</i>	<i>-</i>	<i>4,234,390</i>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Utilities and physical environment	-	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Capital Outlay:				
Capital expenditures	-	-	16,868	345,732
Construction in progress	3,615,389	-	-	3,818,899
<i>Total Expenditures</i>	<i>3,615,389</i>	<i>-</i>	<i>16,868</i>	<i>4,164,631</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(1,953,173)</i>	<i>16,027</i>	<i>(16,868)</i>	<i>69,759</i>
Other Financing Sources				
Transfers in	2,301,518	1,828,723	16,868	4,856,250
Transfers (out)	-	(2,110,985)	-	(4,514,575)
<i>Total Other Financing Sources</i>	<i>2,301,518</i>	<i>(282,262)</i>	<i>16,868</i>	<i>341,675</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>348,345</i>	<i>(266,235)</i>	<i>-</i>	<i>411,434</i>
<i>Fund Balances Beginning of Year</i>	<i>2,605,219</i>	<i>4,576,597</i>	<i>-</i>	<i>12,344,318</i>
<i>Fund Balances End of Year</i>	<i>\$ 2,953,564</i>	<i>\$ 4,310,362</i>	<i>\$ -</i>	<i>\$ 12,755,752</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Trails & Paths and Tourism Facilities Hotel/Motel Non-major Special Revenue Funds

For the Year Ended December 31, 2016

	Trails & Paths Special Revenue Fund			Tourism Facilities Hotel/Motel Special Revenue Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 377,000	\$ 387,333	\$ 10,333
Intergovernmental revenues	8,500	8,460	(40)	-	-	-
Investment interest	-	170	170	-	1,552	1,552
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>8,500</i>	<i>8,630</i>	<i>130</i>	<i>377,000</i>	<i>388,885</i>	<i>11,885</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>8,500</i>	<i>8,630</i>	<i>130</i>	<i>377,000</i>	<i>388,885</i>	<i>11,885</i>
Other Financing Sources						
Transfers In	-	-	-	-	-	-
Transfers (out)	(9,300)	(9,300)	-	-	-	-
<i>Total Other Financing Sources</i>	<i>(9,300)</i>	<i>(9,300)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Net Change in Fund Balances</i>	<i>(800)</i>	<i>(670)</i>	<i>130</i>	<i>377,000</i>	<i>388,885</i>	<i>11,885</i>
<i>Fund Balances Beginning of Year</i>	<i>38,054</i>	<i>38,054</i>	<i>-</i>	<i>182,347</i>	<i>182,347</i>	<i>-</i>
Fund Balances End of Year	\$ 37,254	\$ 37,384	\$ 130	\$ 559,347	\$ 571,232	\$ 11,885

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Hotel/Motel and Solid Waste Non-major Special Revenue Funds

For the Year Ended December 31, 2016

	Hotel/Motel Special Revenue Fund			Solid Waste Special Revenue Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ 580,000	\$ 596,373	\$ 16,373	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	53,500	17,677	(35,823)
Charges for services	-	-	-	125,000	125,000	-
Investment interest	300	1,275	975	-	184	184
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>580,300</i>	<i>597,648</i>	<i>17,348</i>	<i>178,500</i>	<i>142,861</i>	<i>(35,639)</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	-	-	138,075	66,188	(71,887)
Economic environment	499,350	498,172	(1,178)	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>499,350</i>	<i>498,172</i>	<i>(1,178)</i>	<i>138,075</i>	<i>66,188</i>	<i>(71,887)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>80,950</i>	<i>99,476</i>	<i>18,526</i>	<i>40,425</i>	<i>76,673</i>	<i>36,248</i>
Other Financing Sources						
Transfers In	-	-	-	-	-	-
Transfers (out)	(90,650)	(88,388)	2,262	(40,425)	(40,425)	-
<i>Total Other Financing Sources</i>	<i>(90,650)</i>	<i>(88,388)</i>	<i>2,262</i>	<i>(40,425)</i>	<i>(40,425)</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(9,700)</i>	<i>11,088</i>	<i>20,788</i>	<i>-</i>	<i>36,248</i>	<i>36,248</i>
<i>Fund Balances Beginning of Year</i>	<i>208,702</i>	<i>208,702</i>	<i>-</i>	<i>42,874</i>	<i>42,874</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ 199,002</i>	<i>\$ 219,790</i>	<i>\$ 20,788</i>	<i>\$ 42,874</i>	<i>\$ 79,122</i>	<i>\$ 36,248</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

PEG and CenterPlace Operating Reserve Non-major Special Revenue Funds

For the Year Ended December 31, 2016

	PEG Special Revenue Fund			CenterPlace Operating Reserve Special Revenue Fund ¹		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	90,000	79,427	(10,573)	-	-	-
Intergovernmental revenues	-	-	-	-	-	-
Investment interest	-	784	784	-	-	-
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>90,000</i>	<i>80,211</i>	<i>(9,789)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Expenditures						
Current:						
General government	117,000	117,000	-	-	-	-
Transportation	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	37,500	24,052	(13,448)	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>154,500</i>	<i>141,052</i>	<i>(13,448)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(64,500)</i>	<i>(60,841)</i>	<i>3,659</i>	<i>-</i>	<i>-</i>	<i>-</i>
Other Financing Sources						
Transfers In	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Net Change in Fund Balances</i>	<i>(64,500)</i>	<i>(60,841)</i>	<i>3,659</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balances Beginning of Year</i>	<i>301,182</i>	<i>301,182</i>	<i>-</i>	<i>300,000</i>	<i>300,000</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ 236,682</i>	<i>\$ 240,341</i>	<i>\$ 3,659</i>	<i>\$ 300,000</i>	<i>\$ 300,000</i>	<i>\$ -</i>

¹) Fund Balances, CenterPlace Operating Reserve consolidated and collapsed into General Fund (GASB 54).

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Service Level Stabilization and Winter Weather Reserve Non-major Special Revenue Funds

For the Year Ended December 31, 2016

	Service Level Stabilization Reserve Special Revenue Fund ¹			Winter Weather Reserve Special Revenue Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	38,510	38,804	294
Investment interest	6,500	21,636	15,136	600	1,961	1,361
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>6,500</i>	<i>21,636</i>	<i>15,136</i>	<i>39,110</i>	<i>40,765</i>	<i>1,655</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Transportation	-	-	-	500,000	257,445	(242,555)
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>500,000</i>	<i>257,445</i>	<i>(242,555)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>6,500</i>	<i>21,636</i>	<i>15,136</i>	<i>(460,890)</i>	<i>(216,680)</i>	<i>244,210</i>
Other Financing Sources						
Transfers In	-	-	-	16,418	15,043	(1,375)
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>16,418</i>	<i>15,043</i>	<i>(1,375)</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>6,500</i>	<i>21,636</i>	<i>15,136</i>	<i>(444,472)</i>	<i>(201,637)</i>	<i>242,835</i>
<i>Fund Balances Beginning of Year</i>	<i>5,461,789</i>	<i>5,461,789</i>	<i>-</i>	<i>444,472</i>	<i>444,472</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ 5,468,289</i>	<i>\$ 5,483,425</i>	<i>\$ 15,136</i>	<i>\$ -</i>	<i>\$ 242,835</i>	<i>\$ 242,835</i>

¹) Fund Balances, Service Level Stabilization Reserve consolidated and collapsed into General Fund (GASB 54).

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

LTGO Bonds Fund (LTGO'2016 & LTGO'14 Refunding Bonds, Non-Major Debt Service Fund

For the Year Ended December 31, 2016

	Debt Service			Variance with Final Budget Over (Under)	
	LTGO Bonds Fund				
	Final Budgeted Amounts	Actual Amounts			
Revenues					
Taxes	\$ -	\$ -	\$ -	-	
Intergovernmental revenues	380,300	380,300		-	
Investment interest	-	-		-	
Miscellaneous revenues	-	-		-	
<i>Total Revenues</i>	<i>380,300</i>	<i>380,300</i>		<i>-</i>	
Expenditures					
Current:					
General government	-	-		-	
Transportation	-	-		-	
Economic environment	-	-		-	
Culture and recreation	-	-		-	
Debt service:					
Principal retirement	384,000	390,000	6,000		
Interest expense	361,834	355,834	(6,000)		
Bonds issuance costs	-	-		-	
Capital Outlay:					
Capital expenditures	-	-		-	
Construction in progress	-	-		-	
<i>Total Expenditures</i>	<i>745,834</i>	<i>745,834</i>		<i>-</i>	
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(365,534)</i>	<i>(365,534)</i>		<i>-</i>	
Other Financing Sources					
Transfers In	365,534	365,534		-	
Transfers (out)	-	-		-	
<i>Total Other Financing Sources</i>	<i>365,534</i>	<i>365,534</i>		<i>-</i>	
<i>Net Change in Fund Balances</i>	<i>-</i>	<i>-</i>		<i>-</i>	
<i>Fund Balances Beginning of Year</i>	<i>4,049</i>	<i>4,049</i>		<i>-</i>	
<i>Fund Balances End of Year</i>	<i>\$ 4,049</i>	<i>\$ 4,049</i>		<i>\$ -</i>	

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Civic Facilities Replacement and REET 1 Capital Projects Non-Major Capital Projects Funds

For the Year Ended December 31, 2016

	Civic Facilities Replacement Fund			REET 1 Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 1,176,911	\$ 176,911
Intergovernmental revenues	-	-	-	-	-	-
Investment interest	700	696	(4)	1,000	7,609	6,609
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>700</i>	<i>696</i>	<i>(4)</i>	<i>1,001,000</i>	<i>1,184,520</i>	<i>183,520</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>700</i>	<i>696</i>	<i>(4)</i>	<i>1,001,000</i>	<i>1,184,520</i>	<i>183,520</i>
Other Financing Sources						
Transfers In	-	-	-	-	-	-
Transfers (out)	(559,808)	(559,804)	4	(1,211,189)	(1,032,215)	178,974
<i>Total Other Financing Sources</i>	<i>(559,808)</i>	<i>(559,804)</i>	<i>4</i>	<i>(1,211,189)</i>	<i>(1,032,215)</i>	<i>178,974</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(559,108)</i>	<i>(559,108)</i>	<i>-</i>	<i>(210,189)</i>	<i>152,305</i>	<i>362,494</i>
<i>Fund Balances Beginning of Year</i>	<i>559,108</i>	<i>559,108</i>	<i>-</i>	<i>1,594,088</i>	<i>1,594,088</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ 1,383,899</i>	<i>\$ 1,746,393</i>	<i>\$ 362,494</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

REET 2 Non-Major Capital Projects Fund & Street Capital Projects, Major Capital Projects Fund

For the Year Ended December 31, 2016

	REET 2 Capital Projects Fund			Street Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ 1,000,000	\$ 1,176,911	\$ 176,911	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	8,149,606	4,951,033	(3,198,573)
Charges for services	-	-	-	-	-	-
Investment interest	1,000	8,189	7,189	-	28	28
Miscellaneous revenues	-	-	-	275,087	151,600	(123,487)
<i>Total Revenues</i>	<i>1,001,000</i>	<i>1,185,100</i>	<i>184,100</i>	<i>8,424,693</i>	<i>5,102,661</i>	<i>(3,322,032)</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	-	-	-	-	-
Transportation	-	-	-	-	163,548	163,548
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	11,482,791	73,422	(11,409,369)
Construction in progress	-	-	-	-	7,670,329	7,670,329
<i>Total Expenditures</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>11,482,791</i>	<i>7,907,299</i>	<i>(3,575,492)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>1,001,000</i>	<i>1,185,100</i>	<i>184,100</i>	<i>(3,058,098)</i>	<i>(2,804,638)</i>	<i>253,460</i>
Other Financing Sources						
Transfers In	-	-	-	3,058,098	2,804,666	(253,432)
Transfers (out)	(831,502)	(612,837)	(218,665)	-	-	-
<i>Total Other Financing Sources</i>	<i>(831,502)</i>	<i>(612,837)</i>	<i>(218,665)</i>	<i>3,058,098</i>	<i>2,804,666</i>	<i>(253,432)</i>
<i>Net Change in Fund Balances</i>	<i>169,498</i>	<i>572,263</i>	<i>402,765</i>	<i>-</i>	<i>28</i>	<i>28</i>
<i>Fund Balances Beginning of Year</i>	<i>1,728,297</i>	<i>1,728,297</i>	<i>-</i>	<i>75,538</i>	<i>75,538</i>	<i>-</i>
Fund Balances End of Year	\$ 1,897,795	\$ 2,300,560	\$ 402,765	\$ 75,538	\$ 75,566	\$ 28

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Parks Capital Projects & Civic Buildings Non-Major Capital Projects Funds

For the Year Ended December 31, 2016

	Parks Capital Projects Fund			Civic Buildings Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	432,007	172,104	(259,903)	-	-	-
Charges for services	-	-	-	-	-	-
Investment interest	500	725	225	1,200	5,145	3,945
Miscellaneous revenues	-	7,857	7,857	-	-	-
<i>Total Revenues</i>	<i>432,507</i>	<i>180,686</i>	<i>(251,821)</i>	<i>1,200</i>	<i>5,145</i>	<i>3,945</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Utilities and physical environment	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	930,822	328,864	(601,958)	-	-	-
Construction in progress	-	203,510	203,510	-	-	-
<i>Total Expenditures</i>	<i>930,822</i>	<i>532,374</i>	<i>(398,448)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(498,315)</i>	<i>(351,688)</i>	<i>146,627</i>	<i>1,200</i>	<i>5,145</i>	<i>3,945</i>
Other Financing Sources						
Transfers In	410,415	364,941	(45,474)	344,200	344,200	-
Transfers (out)	-	-	-	(198,734)	(198,734)	-
<i>Total Other Financing Sources</i>	<i>410,415</i>	<i>364,941</i>	<i>(45,474)</i>	<i>145,466</i>	<i>145,466</i>	<i>-</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(87,900)</i>	<i>13,253</i>	<i>101,153</i>	<i>146,666</i>	<i>150,611</i>	<i>3,945</i>
<i>Fund Balances Beginning of Year</i>	<i>98,461</i>	<i>98,461</i>	<i>-</i>	<i>1,182,548</i>	<i>1,182,548</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ 10,561</i>	<i>\$ 111,714</i>	<i>\$ 101,153</i>	<i>\$ 1,329,214</i>	<i>\$ 1,333,159</i>	<i>\$ 3,945</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Pavement Preservation & Capital Reserve Non-Major Capital Projects Funds

For the Year Ended December 31, 2016

	Pavement Preservation Capital Projects Fund			Capital Reserve Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	2,063,000	1,654,698	(408,302)	-	-	-
Charges for services	-	-	-	-	-	-
Investment interest	-	7,518	7,518	-	16,027	16,027
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>2,063,000</i>	<i>1,662,216</i>	<i>(400,784)</i>	<i>-</i>	<i>16,027</i>	<i>16,027</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Transportation	50,000	-	(50,000)	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Capital Outlay:						
Capital expenditures	-	-	-	-	-	-
Construction in progress	4,500,000	3,615,389	(884,611)	-	-	-
<i>Total Expenditures</i>	<i>4,550,000</i>	<i>3,615,389</i>	<i>(934,611)</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(2,487,000)</i>	<i>(1,953,173)</i>	<i>533,827</i>	<i>-</i>	<i>16,027</i>	<i>16,027</i>
Other Financing Sources						
Transfers In	2,301,522	2,301,518	(4)	1,828,723	1,828,723	-
Transfers (out)	-	-	-	(2,505,719)	(2,110,985)	394,734
<i>Total Other Financing Sources</i>	<i>2,301,522</i>	<i>2,301,518</i>	<i>(4)</i>	<i>(676,996)</i>	<i>(282,262)</i>	<i>394,734</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>(185,478)</i>	<i>348,345</i>	<i>533,823</i>	<i>(676,996)</i>	<i>(266,235)</i>	<i>410,761</i>
<i>Fund Balances Beginning of Year</i>	<i>2,605,219</i>	<i>2,605,219</i>	<i>-</i>	<i>4,576,597</i>	<i>4,576,597</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ 2,419,741</i>	<i>\$ 2,953,564</i>	<i>\$ 533,823</i>	<i>\$ 3,899,601</i>	<i>\$ 4,310,362</i>	<i>\$ 410,761</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

City Hall Construction Major Capital Project Fund & RR Grade Separation Projects Non-Major Capital Projects Fund
For the Year Ended December 31, 2016

	City Hall Construction Fund			Railroad Grade Separation Capital Projects Fund		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	230,000	-	(230,000)
Charges for services	-	-	-	-	-	-
Investment interest	-	26,536	26,536	-	-	-
Miscellaneous revenues	-	-	-	-	-	-
<i>Total Revenues</i>	<i>-</i>	<i>26,536</i>	<i>26,536</i>	<i>230,000</i>	<i>-</i>	<i>(230,000)</i>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Bonds issuance costs	96,515	96,515	-	-	-	-
Capital Outlay:						
Capital expenditures	7,294,400	6,517,094	(777,306)	750,000	16,868	(733,132)
Construction in progress	-	-	-	-	-	-
<i>Total Expenditures</i>	<i>7,390,915</i>	<i>6,613,609</i>	<i>(777,306)</i>	<i>750,000</i>	<i>16,868</i>	<i>(733,132)</i>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<i>(7,390,915)</i>	<i>(6,587,073)</i>	<i>803,842</i>	<i>(520,000)</i>	<i>(16,868)</i>	<i>503,132</i>
Other Financing Sources (Uses)						
Bonds issued par value	7,275,000	7,275,000	-	-	-	-
Bonds issued premium	671,088	671,088	-	-	-	-
Transfers In	-	-	-	520,000	16,868	(503,132)
Transfers (out)	-	-	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<i>7,946,088</i>	<i>7,946,088</i>	<i>-</i>	<i>520,000</i>	<i>16,868</i>	<i>(503,132)</i>
<i>Net Change in Fund Balances (deficit)</i>	<i>555,173</i>	<i>1,359,015</i>	<i>803,842</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balances Beginning of Year</i>	<i>4,789,046</i>	<i>4,789,046</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balances End of Year</i>	<i>\$ 5,344,219</i>	<i>\$ 6,148,061</i>	<i>\$ 803,842</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Internal Service Funds

Internal service funds: are used to account for the financing of goods, services, and operations provided by one department or agency to other departments or agencies of the government and its other governmental units, on a cost reimbursement basis.

Equipment Rental & Replacement Fund ----- The City of Spokane Valley's Equipment Rental & Replacement Fund (ER&R) accounts for the activities and costs of maintaining and replacing the City's vehicles and equipment for all City departments. The fund accumulates resources for vehicle and equipment replacements and purchases. Funds or Departments using the vehicle or equipment pay associated replacement fees.

Replacement funds have been set aside on the telephone system, computer network system, desktop computers, and vehicles. Maintenance and service charges for copiers, telephones, and internet are also charged to the fund. The ER&R Fund also finances and administers a fleet of pool cars for use by City Departments.

Risk Management Fund ----- The City of Spokane Valley's Risk Management Fund has been established to account for insurance costs, claims settlement, and administration of a risk management safety program. This fund also accounts for the funding of unemployment claims through the State of Washington.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Net Position-Internal Service Funds

Equipment Rental and Replacement & Risk Management Funds

For the Year Ended December 31, 2016

	Governmental-type activities		
	Equipment Rental and Replacement Fund	Risk Management Fund	Totals
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,136,464	\$ 235,666	\$ 1,372,130
Accounts receivable, (net)	-	-	-
Interest receivable	488	90	578
Total Current Assets	1,136,951	235,756	1,372,708
Capital Assets:			
Machinery and equipment	397,761	-	397,761
Less: accumulated depreciation	(52,995)	-	(52,995)
Total Current Assets	344,766	-	344,766
Total Assets	\$ 1,481,717	\$ 235,756	\$ 1,717,474
Liabilities			
Current Liabilities:			
Accounts payable	\$ -	\$ 2,069	\$ 2,069
Total Current Liabilities	-	2,069	2,069
Total Liabilities	-	2,069	2,069
Net Position			
Net Investments in Capital Assets	344,766	-	344,766
Unrestricted	1,136,951	233,688	1,370,639
Total Net Position	1,481,717	233,688	1,715,405
Total Liabilities and Net Position	\$ 1,481,717	\$ 235,757	\$ 1,717,474

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Revenues, Expenses, and Changes in Net Position

Equipment Rental and Replacement & Risk Management - Internal Service Funds

For the Year Ended December 31, 2016

	Governmental-type activities		
	Equipment Rental and Replacement Fund	Risk Management Fund	Totals
Operating Revenues:			
Charges for services (net of returns and allowances)	\$ 106,000	\$ -	\$ 106,000
Intergovernmental revenues	-	-	-
Total Operating Revenues	106,000	-	106,000
Operating Expenses:			
Personal services	-	8,820	8,820
Professional services	-	277,298	277,298
Depreciation and amortization	23,396	-	23,396
Total Operating Expenses	23,396	286,118	309,514
Operating Income (loss)	82,604	(286,118)	(203,514)
Non-Operating Revenues (Expenses)			
Investment income	4,394	423	4,817
Intergovernmental revenues	-	-	-
Total Non-Operating Revenues (Expenses)	4,394	423	4,817
Income (loss) before contributions and Transfers	86,998	(285,695)	(198,697)
Contributions and Transfers:			
Transfers in	-	325,000	325,000
Transfers (out)	-	-	-
Capital contributions	-	-	-
Total contributions and transfers	-	325,000	325,000
Change in Net Position	86,998	39,305	126,303
Net Position-Beginning of Year	1,394,719	194,383	1,589,102
Net Position-End of Year	\$ 1,481,717	\$ 233,688	\$ 1,715,405

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

Combining Statement of Cash Flows - Internal Service Funds

Equipment Rental and Replacement & Risk Management - Internal Service Funds

For the Year Ended December 31, 2016

Governmental - Type Activities Internal Service Funds			
	Equipment Rental and Replacement Fund	Risk Management Fund	Totals
Cash Flows from Operating Activities			
Cash payments to employees	\$ -	\$ (8,820)	\$ (8,820)
Cash payments to suppliers for goods and services	- -	(276,334)	(276,334)
Receipts from interfund activity	106,000	-	106,000
<i>Net cash provided (used) by operating activities</i>	106,000	(285,154)	(179,154)
Cash Flows from Noncapital Financing Activities			
Operating subsidies & transfers in (out) from other funds	- -	325,000	325,000
<i>Net Cash (used) provided by noncapital related financing activities</i>	- -	325,000	325,000
Cash Flows from Capital and Related Financing Activities			
Acquisition, construction & (transfers) of capital assets to governmental funds	(222,440)	- -	(222,440)
<i>Net Cash provided by capital related financing activities</i>	(222,440)	- -	(222,440)
Cash Flows from Investing Activities			
Interest received	4,165	334	4,499
<i>Net Cash provided by investing activities</i>	4,165	334	4,499
Net Increase (decrease) in Cash and Cash Equivalents	(112,275)	40,180	(72,095)
Cash and Cash Equivalents - January 1, 2016	1,248,739	195,486	1,444,225
Cash and Cash Equivalents - December 31, 2016	\$ 1,136,464	\$ 235,666	\$ 1,372,130
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 82,604	\$ (286,118)	\$ (203,514)
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>			
Depreciation	23,396	- -	23,396
<i>(Increase) Decrease in Assets:</i>			
Interest receivable	- -	- -	- -
Due from other funds	- -	- -	- -
<i>Increase (Decrease) in Liabilities:</i>			
Increase in: Accounts payable to suppliers	- -	964	964
Due to other governments	- -	- -	- -
Deposits and other payables	- -	- -	- -
Total adjustments	23,396	964	24,360
Net Cash Provided (used) by Operating Activities	\$ 106,000	\$ (285,154)	\$ (179,154)

Statistical Section

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

STATISTICAL SECTION

This part of the City of Spokane Valley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS	Page #
-----------------	---------------

Financial Trends	111 - 115
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	116 - 119
<i>These schedules contain information to help the reader assess the government's most significant local revenue (inflow) source, property taxes.</i>	
Debt Capacity	120 - 123
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	124 - 125
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	126 - 128
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 45,201	\$ 52,370	\$ 63,074	\$ 64,370	\$ 68,426	\$ 74,478	\$ 75,837	\$ 75,907	\$ 85,200	\$ 90,360
Restricted	16,230	13,966	3,689	6,896	5,654	5,104	4,985	5,128	5,731	13,238
Unrestricted	29,497	34,611	44,587	44,497	44,807	43,650	45,746	48,827	45,051	42,494
Total governmental activities	\$ 90,928	\$ 100,947	\$ 111,350	\$ 115,763	\$ 118,887	\$ 123,232	\$ 126,568	\$ 129,862	\$ 135,982	\$ 146,092
net position:	\$ 2,721	\$ 3,071	\$ 2,950	\$ 3,307	\$ 4,300	\$ 5,464	\$ 6,829	\$ 7,317	\$ 8,837	\$ 9,068
Business-type activities										
Net investment in capital assets	\$ 685	\$ 690	\$ 683	\$ 1,018	\$ 1,500	\$ 2,875	\$ 4,176	\$ 5,382	\$ 6,275	\$ 6,356
Restricted	-	-	-	4	4	-	-	-	-	-
Unrestricted	2,036	2,381	2,267	2,285	2,796	2,589	2,653	1,935	2,562	2,712
Total business-type activities	\$ 2,721	\$ 3,071	\$ 2,950	\$ 3,307	\$ 4,300	\$ 5,464	\$ 6,829	\$ 7,317	\$ 8,837	\$ 9,068
net position:	\$ 2,721	\$ 3,071	\$ 2,950	\$ 3,307	\$ 4,300	\$ 5,464	\$ 6,829	\$ 7,317	\$ 8,837	\$ 9,068
Primary government										
Net investment in capital assets	\$ 45,886	\$ 53,060	\$ 63,757	\$ 65,388	\$ 69,926	\$ 77,353	\$ 80,013	\$ 81,289	\$ 91,475	\$ 96,716
Restricted	16,230	13,966	3,689	6,900	5,658	5,104	4,985	5,128	5,731	13,238
Unrestricted	31,533	36,992	46,854	46,782	47,603	46,239	48,399	50,762	47,613	45,206
Total primary government	\$ 93,649	\$ 104,018	\$ 114,300	\$ 119,070	\$ 123,187	\$ 128,696	\$ 133,397	\$ 137,179	\$ 144,819	\$ 155,160
net position:	\$ 93,649	\$ 104,018	\$ 114,300	\$ 119,070	\$ 123,187	\$ 128,696	\$ 133,397	\$ 137,179	\$ 144,819	\$ 155,160

Note: Totals may not foot due to rounding.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Expenses	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 4,876	\$ 3,696	\$ 4,592	\$ 4,449	\$ 4,427	\$ 4,622	\$ 4,644	\$ 5,004	\$ 4,771	\$ 6,129
Public safety	16,263	17,664	20,616	21,186	22,614	21,722	22,486	22,190	22,144	23,173
Utilities & physical environment	1,573	549	2,333	3,083	3,187	2,939	3,028	2,462	4,942	3,368
Transportation	16,788	16,205	14,883	7,707	6,851	8,574	7,713	8,779	6,294	8,740
Economic environment	2,259	688	574	548	663	797	849	912	883	1,122
Community development	-	2,971	2,045	1,879	1,772	1,894	2,031	1,848	2,071	2,039
Culture and recreation	2,415	2,551	2,910	3,009	3,050	3,458	3,535	5,234	3,674	3,841
Interest on long-term debt	411	406	401	394	384	376	369	243	238	317
Total governmental activities expenses	44,585	44,730	48,354	42,255	42,948	44,382	44,655	46,672	45,016	48,729
Business-type activities:										
Aquifer protection area	-	-	-	-	-	-	306	982	126	154
Stormwater management	970	1,180	1,109	1,329	1,472	1,218	1,767	1,649	1,935	1,960
Total business-type activities expenses	970	1,180	1,109	1,329	1,472	1,218	2,073	2,631	2,061	2,114
Total primary government expenses	\$ 45,555	\$ 45,910	\$ 49,463	\$ 43,584	\$ 44,420	\$ 45,600	\$ 46,728	\$ 49,303	\$ 47,076	\$ 50,843

Program Revenues

Governmental activities:

Charges for services:										
General government	\$ 799	\$ 2,182	\$ 2,358	\$ 2,731	\$ 2,572	\$ 2,946	\$ 3,008	\$ 3,432	\$ 2,659	\$ 3,126
Public safety	631	1,823	1,864	2,057	1,647	1,651	1,553	1,473	1,388	1,318
Utilities & physical environment	-	118	188	87	106	84	98	934	230	222
Transportation	-	424	411	160	78	47	15	10	25	211
Economic environment	2,530	-	-	-	-	-	-	-	-	-
Community development	-	1,896	1,541	1,230	1,064	1,254	1,615	1,561	1,480	2,632
Culture and recreation	1,453	604	581	581	525	598	536	599	657	682
Operating grants and contributions	-	683	611	799	1,196	1,260	787	707	495	1,254
Capital grants and contributions	3,522	12,157	15,668	4,528	3,611	5,038	3,678	3,257	9,487	6,895
Total governmental activities program revenues	8,935	19,887	23,222	12,173	10,799	12,878	11,290	11,973	16,421	16,340

Business-type activities:

Charges for services:										
Aquifer protection area	-	-	-	-	-	-	1	-	-	-
Stormwater management	1,658	1,687	1,706	1,748	1,833	1,835	1,873	1,867	1,861	1,898
Operating grants and contributions	-	-	-	-	65	622	956	476	584	450
Capital grants and contributions	27	25	27	20	726	50	620	814	1,410	-
Total business-type activities program revenues	1,685	1,712	1,733	1,768	2,624	2,507	3,450	3,157	3,855	2,348
Total primary government program revenues	\$ 10,620	\$ 21,599	\$ 24,955	\$ 13,941	\$ 13,423	\$ 15,385	\$ 14,740	\$ 15,130	\$ 20,276	\$ 18,688

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	\$(35,650)	\$(24,844)	\$(25,132)	\$(30,083)	\$(32,149)	\$(31,503)	\$(33,365)	\$(34,698)	\$(28,595)	\$(32,389)
Business-type activities	714	533	624	439	1,152	1,289	1,377	525	1,794	235
Total primary government net (expenses) /revenues	\$(34,936)	\$(24,311)	\$(24,508)	\$(29,644)	\$(30,997)	\$(30,214)	\$(31,988)	\$(34,173)	\$(26,800)	\$(32,154)

General Revenues and other

Changes in Net Position

Governmental activities:

Taxes:

Property taxes	\$ 9,525	\$ 9,881	\$ 10,484	\$ 10,781	\$ 10,676	\$ 10,802	\$ 10,886	\$ 11,042	\$ 11,274	\$ 11,430
Sales and use taxes	19,638	18,055	16,317	16,014	16,976	17,522	18,721	19,779	20,728	22,583
Excise taxes	2,953	2,424	3,496	3,342	3,273	3,271	3,329	3,616	4,397	4,807
Other taxes	3,359	3,265	4,205	4,080	3,862	3,847	3,670	3,459	3,459	3,417
Extraordinary gain, proceeds	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-	-
Interest and investment earnings	1,895	1,003	274	189	116	115	82	57	99	248
Transfers	15	235	760	90	161	128	13	39	13	13
Total governmental activities	37,385	34,863	35,536	34,496	35,064	35,685	36,701	37,992	39,970	42,498

Business-type activities:

Interest and investment earnings	80	52	14	7	3	3	2	1	2	10
Transfers	(15)	(235)	(760)	(90)	(161)	(128)	(13)	(39)	(13)	(13)
Total business-type activities	65	(183)	(746)	(83)	(158)	(125)	(11)	(38)	(11)	(3)
Total primary government	\$ 37,450	\$ 34,680	\$ 34,790	\$ 34,413	\$ 34,906	\$ 35,560	\$ 36,690	\$ 37,954	\$ 39,959	\$ 42,495

Change in Net Position

Governmental activities	\$ 1,735	\$ 10,019	\$ 10,403	\$ 4,413	\$ 2,916	\$ 4,182	\$ 3,336	\$ 3,294	\$ 11,376	\$ 10,109
<i>Change in accounting principles see note 1</i>	-	-	-	-	207	163	-	-	(5,519)	-
Business-type activities	780	350	(121)	356	994	1,163	1,366	487	1,783	232
Total primary government	\$ 2,515	\$ 10,369	\$ 10,282	\$ 4,769	\$ 4,117	\$ 5,508	\$ 4,702	\$ 3,781	\$ 7,640	\$ 10,341

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2007	2008	2009 (Restated) ¹	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ -	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,747	21,673	-	-	-	-	-	-	-	-
Total general fund	\$ 13,747	\$ 21,692	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	\$ -	\$ 6	\$ 12	\$ 24	\$ 56	\$ 98	\$ 131	\$ 131	\$ 131	\$ 82
Restricted	10	204	123	180	204	255	24	24	24	80
Assigned	30	50	50	-	-	-	-	-	-	-
Unassigned	24,587	32,976	33,727	34,389	29,071	29,974	31,652	31,652	31,652	34,695
Total general fund	\$ 24,627	\$ 33,236	\$ 33,912	\$ 34,593	\$ 29,331	\$ 30,327	\$ 31,807	\$ 31,807	\$ 31,807	\$ 34,857
All other governmental funds										
Reserved	\$ 16,230	\$ 13,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,596	6,582	-	-	-	-	-	-	-	-
Capital projects funds	5,444	3,369	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 28,270	\$ 23,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	\$ 4	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5
Restricted	7,074	6,682	5,519	4,900	4,725	4,774	5,557	5,557	5,557	13,070
Committed	500	501	502	503	503	504	444	444	444	237
Assigned	7,595	7,769	7,369	4,765	11,785	14,056	13,854	13,854	13,854	8,381
Unassigned	5,407	-	-	-	-	-	-	-	-	-
Total all other	\$ 20,580	\$ 14,957	\$ 13,390	\$ 10,168	\$ 17,013	\$ 19,334	\$ 19,874	\$ 19,874	\$ 19,874	\$ 21,693
Total fund balances	\$ 42,017	\$ 45,589	\$ 45,207	\$ 48,193	\$ 47,302	\$ 44,761	\$ 46,344	\$ 49,661	\$ 51,681	\$ 56,550

1) Fiscal year 2009 Fund balances restated for GASB-54 conversion and implementation.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 33,498	\$ 31,878	\$ 32,093	\$ 31,840	\$ 32,352	\$33,279	\$ 34,487	\$35,929	\$37,434	\$39,643
Licenses and permits	2,515	2,509	2,121	2,100	1,939	2,099	2,427	2,372	2,342	3,195
Intergovernmental	4,835	14,006	19,365	9,000	8,655	8,760	7,949	8,098	13,468	11,597
Charges for services	795	768	863	671	685	868	996	1,029	1,450	1,814
Fines and forfeitures	581	771	778	750	588	564	543	544	530	478
Investment interest	1,892	980	269	189	114	114	81	56	98	243
Miscellaneous	1,495	3,835	1,927	1,944	1,432	1,931	1,055	1,933	1,090	1,019
Total revenues	45,611	54,747	57,416	46,494	45,765	47,615	47,538	49,961	56,412	57,989
Expenditures										
Current:										
General government	4,409	3,467	4,215	4,047	3,993	4,203	4,232	4,508	4,539	5,134
Public safety	16,247	17,606	20,558	21,130	22,554	21,664	22,429	22,132	22,045	23,107
Utilities & physical environment	1,528	1,178	2,071	2,441	2,300	1,984	1,923	2,080	2,083	2,259
Transportation	4,209	4,581	3,989	3,199	3,923	5,349	4,172	4,453	4,144	4,524
Economic environment	2,241	671	523	506	634	759	815	902	825	1,095
Community development	-	2,971	2,045	1,879	1,772	1,894	2,031	1,848	2,071	2,039
Culture and recreation	1,966	2,160	2,293	2,323	2,301	2,536	2,599	2,582	2,788	2,851
Debt Service:										
Principal retirement	1,058	191	205	211	225	241	254	360	300	390
Interest expense	411	406	401	395	385	377	369	243	238	357
Refunding Bond issue costs	-	-	-	-	-	-	-	107	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	97
Capital Outlay:										
Capital expenditures	1,368	3,709	1,543	435	2,347	2,993	279	370	2,572	7,413
Construction in progress	1,494	14,282	20,485	6,714	6,246	8,128	6,547	6,832	12,476	11,489
Total expenditures	34,931	51,222	58,328	43,280	46,680	50,128	45,650	46,417	54,081	60,755
<i>Excess of revenues over (under) expenditures</i>	10,680	3,525	(912)	3,214	(915)	(2,513)	1,888	3,543	2,331	(2,766)
Other financing sources (uses)										
Extraordinary gain, fire proceeds	-	-	-	-	-	-	-	-	-	-
Bonds issued, par value	-	-	-	-	-	-	-	-	-	7,275
Refunding bonds issued	-	-	-	-	-	-	-	7,035	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	671
Premium on refunding bonds issued	-	-	-	-	-	-	-	626	-	-
Pymts refunded bonds escrow agent	-	-	-	-	-	-	-	(7,549)	-	-
Transfers in	6,800	6,160	7,673	4,293	5,127	5,314	10,251	7,388	11,917	8,364
Transfers out	(6,962)	(6,113)	(7,143)	(4,521)	(5,310)	(5,505)	(10,556)	(7,726)	(12,229)	(8,675)
Total other financing sources (uses)	(162)	47	530	(228)	(183)	(191)	(305)	(226)	(312)	7,635
Net change in fund balances	\$ 10,518	\$ 3,572	\$ (382)	\$ 2,986	\$ (1,098)	\$ (2,704)	\$ 1,583	\$ 3,317	\$ 2,019	\$ 4,869
Debt service as a percentage of noncapital expenditures	4.80%	1.83%	1.70%	1.71%	1.63%	1.61%	1.63%	1.84%	1.40%	2.06%

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Assessed Value and Estimated Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	State Assessed Property	Less:		Total Taxable Assessed Value	Total Direct Tax Rate ²	Estimated Taxable Value	Actual Taxable Value
				Tax Exempt Real Property	Real Property				
2007	6,050,189,267	313,366,691	144,639,291	625,249,076	5,882,946,173	1.631	36,067,982,971	36,067,982,971	16.3%
2008	6,850,793,526	334,761,322	144,201,207	693,372,441	6,636,383,614	1.492	44,479,833,528	44,479,833,528	14.9%
2009	7,243,459,327	350,340,740	131,455,778	705,747,518	7,019,508,327	1.500	46,800,090,425	46,800,090,425	15.0%
2010	7,406,805,210	380,407,036	136,107,872	753,827,516	7,169,492,602	1.510	47,476,689,157	47,476,689,157	15.1%
2011	7,363,382,369	390,295,527	155,027,290	767,757,542	7,140,947,644	1.503	47,511,213,891	47,511,213,891	15.0%
2012	7,301,216,827	385,519,496	168,518,669	767,731,597	7,087,523,395	1.526	46,431,559,220	46,431,559,220	15.3%
2013	7,098,461,705	395,557,119	164,764,545	736,958,074	6,921,825,295	1.578	43,875,667,438	43,875,667,438	15.8%
2014	7,361,808,225	418,907,730	188,057,827	799,782,754	7,168,991,028	1.545	46,398,233,305	46,398,233,305	15.5%
2015	7,599,597,739	440,541,679	182,240,486	828,408,322	7,393,971,582	1.526	48,469,168,024	48,469,168,024	15.3%
2016	7,913,329,396	465,687,715	207,777,187	838,519,201	7,748,275,097	1.483	52,254,350,533	52,254,350,533	14.8%

¹ Taxable Assessed value as a percentage of estimated actual taxable value does not include tax-exempt real property.

² Total direct tax rate is per \$1,000 of assessed value.

Note: It is the policy of the Spokane County's Assessor's Office to value property at 100% of market value. As a result, assessed and actual values are the same.
 (Source: Spokane County Assessor's Office)

City of Spokane Valley, Washington

Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Direct and Overlapping Property Tax Rates Governments
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

City of Spokane Valley Rates			Overlapping Rates ¹					
Fiscal Year	Basic Rate	Total Direct	Fire Districts	Spokane County	State School	School ² Districts (4)	County Library	Other/ Special
2007	1.631	1.631	3.439	2.792	2.194	20.793	0.500	1.474
2008	1.492	1.492	3.265	2.509	1.930	18.102	0.453	1.381
2009	1.500	1.500	3.569	2.450	1.898	16.993	0.443	1.382
2010	1.510	1.510	3.613	2.470	2.002	18.281	0.447	1.602
2011	1.503	1.503	3.621	2.572	2.241	20.317	0.500	1.657
2012	1.526	1.526	3.625	2.660	2.345	21.627	0.500	1.708
2013	1.578	1.578	3.632	3.032	2.445	22.416	0.500	1.747
2014	1.545	1.545	3.631	3.042	2.373	22.392	0.500	1.691
2015	1.526	1.526	3.625	3.186	2.264	22.617	0.500	1.636
2016	1.483	1.483	3.554	3.115	2.100	22.137	0.491	1.701

¹ Overlapping rates are those of local and county governments that apply to property owners with the City of Spokane Valley.

Not all overlapping rates apply to all Spokane Valley property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

² Four separate School Districts operate within the City's boundary.

(Source: Spokane County Assessor's Office)

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Principal Property Taxpayers¹
Current Year and Ten Years Ago
December 31, 2016

Taxpayer	Business Type	2016		2007		Rank	Total Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
		Total Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Value				
Kaiser Aluminum, Inc.	Aluminum Manufacturer	\$ 302,574,229	1	3.91%	\$ 58,334,332	1	0.99%		
Avista Corporation	Electric & Gas Utility	94,757,241	2	1.22%	55,215,623	3	0.94%		
Spokane Valley Mall	Retail Malls	67,922,910	3	0.88%	57,056,195	2	0.97%		
Park SPE, LLC	Real Estate Developer	67,498,810	4	0.87%	47,963,410	4	0.82%		
Wagstaff Inc.	Engineering & Manufacturing	35,952,465	5	0.46%	DND	-	DND		
Wal-Mart Stores Inc.	Retail	34,975,478	6	0.45%	DND	-	DND		
Cellco Partnership dba Verizon Wireless	Telephone Utility	33,978,009	7	0.44%	27,320,110	5	0.46%		
Spokane Valley Hospital & Medical Center	Health Care	31,358,099	8	0.40%	DND	-	DND		
Enjoy The River, LLC	Real Estate LLC	30,100,680	9	0.39%	DND	-	DND		
Hanson Industries	Real Estate Developer	29,679,010	10	0.38%	DND	-	DND		
Qwest Corporation	Telephone Utility	-	-	-	21,122,917	6	0.38%		
CPM Development Corp	Concrete & Asphalt	-	-	-	18,502,656	7	0.31%		
Cingular Wireless	Telephone Utility	-	-	-	18,040,862	8	0.31%		
Itron Inc.	Electronics Manufacturer	-	-	-	17,365,836	9	0.30%		
Pinecroft, LLC	Real Estate LLC	-	-	-	17,075,970	10	0.29%		
Total:		\$ 728,796,931	9.41%		\$ 337,997,911		5.75%		
Spokane Valley FY2016 Levy Rate: 1.482848437383									
Total Assessed Value City of Spokane Valley		\$ 7,748,275,097	9.41%		\$ 5,882,946,173		5.75%		
Total Assessed Value City of Spokane Valley all other Taxpayers		\$ 7,019,478,166	90.59%		\$ 5,544,948,262		94.25%		

¹ Source: Spokane County Assessor's and Treasurer's Department.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Property Tax Levy and Collections ¹
Last Ten Fiscal Years

Fiscal Year Ended 31-Dec	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	9,595,506	9,384,010	97.80%	86,812	9,470,822	98.70%
2008	9,910,479	9,687,818	97.75%	81,425	9,769,243	98.57%
2009	10,538,125	10,317,305	97.90%	80,646	10,397,951	98.67%
2010	10,836,664	10,596,232	97.78%	98,579	10,694,811	98.69%
2011	10,736,817	10,511,675	97.90%	82,060	10,593,735	98.67%
2012	10,824,167	10,606,471	97.99%	76,517	10,682,988	98.70%
2013	10,927,218	10,674,154	97.68%	102,956	10,777,110	98.63%
2014	11,079,836	10,889,763	98.28%	83,306	10,973,069	99.04%
2015	11,284,152	11,097,997	98.35%	85,010	11,183,007	99.10%
2016	11,470,220	11,274,184	98.29%	97,836	11,372,020	99.14%

Note:

1) Source: Spokane County Assessor's Department, monthly Property Tax Statements (EOY statement).

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Govermental Activities			Total Primary Government Bonded Debt Per Capita	Spokane County MSA Est. Per Capita Income¹	Personal Income
	LTGO'14 Refunding Bonds and LTGO'16 Bonds	Total Primary Government	Percentage of Personal Income			
2007	8,760,000	8,760,000	0.29%	99	34,270	¹ 3,025,355,600
2008	8,570,000	8,570,000	0.27%	96	36,069	¹ 3,207,255,480
2009	8,365,000	8,365,000	0.27%	94	35,186	¹ 3,147,035,840
2010	8,155,000	8,155,000	0.26%	90	35,220	¹ 3,177,196,200
2011	7,930,000	7,930,000	0.24%	88	36,536	¹ 3,292,258,960
2012	7,690,000	7,690,000	0.23%	85	37,653	¹ 3,409,479,150
2013	7,435,000	7,435,000	0.21%	81	38,805	¹ 3,550,269,450
2014	6,675,000	6,675,000	0.19%	73	39,067	¹ 3,596,117,350
2015	6,375,000	6,375,000	0.17%	68	40,173	¹ 3,749,747,820
2016	13,260,000	13,260,000	0.34%	141	41,310	¹ 3,889,749,600

1) Spokane County Metropolitan Statistical Area (MSA) source: Community Indicators Initiative of Spokane & U.S. Department of Commerce (BEA). Fiscal year 2016 estimated, 2.83% increase in change per capita income compared to fiscal year 2015.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Ratios of General Bonded Debt Outstanding
To Assessed Value and Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population ¹	Total Taxable Assessed Value ²	Gross Bonded Debt ³	Net Direct Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Direct Bonded Debt Per Capita
2007	88,280	5,882,946,173	8,920,711	8,760,000	0.149%	99
2008	88,920	6,636,383,614	8,723,396	8,570,000	0.129%	96
2009	89,440	7,019,508,327	8,511,081	8,365,000	0.119%	94
2010	90,210	7,169,492,602	8,293,765	8,155,000	0.114%	90
2011	90,110	7,140,947,644	8,061,449	7,930,000	0.111%	88
2012	90,550	7,087,523,395	7,814,134	7,690,000	0.109%	85
2013	91,490	6,921,825,295	7,551,818	7,435,000	0.107%	81
2014	92,050	7,168,991,028	7,305,556	6,675,000	0.093%	73
2015	93,340	7,393,971,582	6,966,450	6,375,000	0.086%	68
2016	94,160	7,748,275,097	14,499,741	13,260,000	0.171%	141

1) Community Indicators Initiative of Spokane, Journal of Business.

2) Source: Spokane County Assessor's Office, Spokane County.

3) Includes Premium on LTGO Bonds (Refunding LTGO'14 & LTGO'16 City Hall Bonds).

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Direct and Overlapping Governmental Activities Debt ¹
As of December 31, 2016

Number of Issues	Governmental Unit	Net Debt Outstanding	Earliest	Oldest	Applicable to	
			Issue Date (Month/Year)	Maturity Date (Month/Year)	City of Spokane Valley Percentage	Amount
Direct Debt						
3	City of Spokane Valley	\$ 13,260,000	12/2016	12/2045	100.00%	\$ 13,260,000
Total Direct Debt:			13,260,000			100.00% 13,260,000
Overlapping Debt						
1	Fire District #8	1,060,000	10/2010	12/2020	7.19%	76,191
11	Spokane School District #81	393,785,000	11/2010	12/2034	3.88%	15,260,628
5	Central Valley School District #356	131,659,434	12/1998	12/2035	63.08%	83,044,650
5	East Valley School District #361	5,090,745	9/2004	6/2027	61.08%	3,109,558
11	West Valley School District #363	19,640,238	4/2006	12/2028	53.13%	10,434,254
Total Overlapping Debt:			551,235,417			20.30% 111,925,281
Total Direct and Overlapping Debt:			\$564,495,417			22.18% \$125,185,281

1) Source: Spokane County Assessor's and Auditor's Office, preliminary amounts 2016.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation For Fiscal Year 2016

Assessed Valuations:	
Assessed Value	\$ 7,748,275,097
Total Assessed Value	
Legal Debt Margin	²
Debt Limitation: (2.5% of total assessed market value)	193,706,877
(Less:) Debt applicable to limitation:	13,752,246
Legal Debt Margin	<u>179,954,631</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 147,073,654	\$ 165,909,590	\$ 175,487,708	\$ 179,237,315	\$ 178,523,691	\$ 177,188,085	\$ 173,045,632	\$ 179,224,776	\$ 184,849,290	\$ 193,706,877
Total net debt applicable to limit	8,930,238	8,810,839	8,657,964	8,410,690	8,201,386	8,001,362	7,784,865	7,077,106	6,813,763	13,752,246
Legal debt margin	<u>\$ 138,143,416</u>	<u>\$ 157,098,751</u>	<u>\$ 166,829,744</u>	<u>\$ 170,826,625</u>	<u>\$ 170,322,305</u>	<u>\$ 169,186,723</u>	<u>\$ 165,260,767</u>	<u>\$ 172,147,670</u>	<u>\$ 178,035,527</u>	<u>\$ 179,954,631</u>
Total net debt applicable to the limit as a % of debt limit	6.07%	5.31%	4.93%	4.69%	4.59%	4.52%	4.50%	3.95%	3.69%	7.10%

- 1) **Source: Spokane County Assessor's Office.**
- 2) **See Note #9, Legal Debt Margin General Purposes voted and non-voted Debt @ 2.5%.**
- 3) **See Note #9, Legal Debt Margin Utility voted Debt @ 2.5%.**
- 4) **See Note #9, Legal Debt Margin Open Space and Park Facilities voted Debt @ 2.5%.**

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Spokane County MSA Per Capita Income¹	Median Age	Taxable Retail Sales²	School Enrollment³	Spokane County MSA Unemployment Rate⁴
2007	88,280	2,969,209,520	33,634	37.1	1,966,515,200	20,329	4.7%
2008	88,920	3,160,038,960	35,538	38.6	1,797,852,179	21,528	5.7%
2009	89,440	3,087,558,240	34,521	36.6	1,613,410,134	21,150	9.7%
2010	90,210	3,149,321,310	34,911	37.3	1,585,010,451	21,537	10.1%
2011	90,110	3,277,120,480	36,368	38.1	1,678,063,524	21,573	9.4%
2012	90,550	3,394,538,400	37,488	37.9	1,745,839,808	21,758	8.6%
2013	91,490	3,433,253,740	37,526	39.8	1,884,116,155	21,946	7.6%
2014	92,050	3,596,117,350	39,067	37.5	1,970,385,634	22,132	7.1%
2015	93,340	3,763,655,480	40,322 ¹	36	2,058,714,546	22,127	6.7%
2016	94,160	3,857,452,720	40,967 ¹	36.8	2,270,098,692	21,349	6.5%

1. Spokane County metropolitan statistical area (MSA) annual per capita personal Income source, CII of Spokane (www.spokanetrends.org). Fiscal year 2016 estimated with a 1.6% increase in change per capita income from fiscal year 2015, compared to 2015 reported results of 3.2 increase from 2014.

2. Department of Revenue Washington, State Taxable Retail Sales Statistical Reports look-up (annual City/County Retail Sales report)

3. Source: Market Fact Book, Journal of Business (Central Valley, East Valley, and West Valley school Districts including Private School enrollment)

4. Department of Employment Security, Washington State for Spokane County metropolitan statistical area (MSA) annual average.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Principal Employers
Current Year and Ten Years Ago

Employer	2016			2007		
	FTE Employees	¹ Rank	Percentage of Total City Employment	FTE Employees	Rank	Percentage of Total City Employment
Central Valley School District	1,441	1	1.58%	1,271	1	1.51%
Wal-Mart Stores	1,434	2	1.57%	DND	#	-
Alorica Business Solutions	1,050	3	1.15%	DND	#	-
Kaiser Aluminum	900	4	0.98%	800	2	0.95%
Yokes Foods, Inc.	838	5	0.92%	535	5	0.64%
West Valley School District	502	6	0.55%	457	7	0.54%
East Valley School District	490	7	0.54%	435	8	0.52%
Valley Hospital & Medical Center	487	8	0.53%	DND	#	-
CPM Development Corporation	410	9	0.45%	700	4	0.83%
AutoNation	400	10	0.44%	DND	#	-
Huntwood Industries	-	-	-	739	3	0.88%
Wagstaff Inc.	-	-	-	330	10	0.39%
Honeywell Electronic Materials	-	-	-	371	9	0.44%
Itron Inc.	-	-	-	482	6	0.57%
Total	7,952		8.69%	6,120		7.29%

1) Source for Data: Journal of Business Book of Lists January 5, 2017, Volume 32, issue 1. FTE employees as of Nov. 1, 2016.

2) DND: means did not disclose.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Full-time Equivalent (FTE) Employees by Function and Program
Last Ten Fiscal Years

Function/Department/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Executive & legislative										
City manager/ City Clerk	4.5	5	5	5	5	5	5	5	5	5
Legal ¹	2	3	3	3	3	3	3	3	3	3
Interns ⁴	3	3	4.5	4.5	2	3	3	3	-	-
Operations & administrative services										
Deputy city manager	6	7	8	8	7	7	6	6	6	6
Finance	8	9	10	12	11	11	10.75	11.75	11.75	11.75
Legal ¹	-	-	-	-	-	-	-	-	-	-
Human resources	1.5	2	2	2	2	2	2	2	2	2
Interns ⁴	-	1	1	1	2	1	1	1	-	-
Public safety ²										
Public works	10	10	7.5	7.5	7.5	7	7	7.375	7.375	7.375
Transportation										
Street fund & Street capital project fund ²	4.4	4.4	8.5	8.5	8	8.5	8.5	8.875	9.225	9.225
Interns ⁴	-	1	-	-	1	1	1	1	-	-
CED										
Administration	2	3	3	3	3	3	2	2	2	2
Building	14.75	14.75	14.75	14.75	12.75	12.75	11.5	12.5	14.0	14.0
Economic Development	-	-	-	-	-	-	-	-	2.5	2.65
Development Services	-	-	-	-	-	-	-	-	11	11
Planning	5	8	9	9	8.5	8.5	8	8	-	-
Engineering	-	8	8	8	6	6	8	7	-	-
Culture and recreation ³										
Parks administration	2	2	2	2	2	2	2	2	2	2
Recreation	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
CenterPlace	5	7	7	7	5	5	5	5	5	5
Interns ⁴	-	1	1	1	1	1	1	1	-	-
StormWater management fund										
Interns ⁴	-	2	2	2	2	1	1	1	-	-
Total (FTEs)										
	71.15	89.15	93.75	95.75	87.25	87.25	85.25	87.25	87.25	87.40

Notes:

¹ Legal program re-assigned to executive and legislative program in 2008.

² The city contracts with Spokane County for law enforcement services and fire protection is provided by Fire Districts 1 & 8.

Winter Weather Services and snow removal was provided under contract through Spokane County in prior fiscal years 2003 thru 2009.

³ Library service provided by the Spokane County Library District.

⁴ Interns to various department programs "NOT" included in total for FTE's.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety ¹										
Total number of crime offenses ²	3,733	4,093	4,067	5,183	6,237	5,390	5,691	5,691	5,014	5,561
Number of Violent Crimes per 1,000 ³	3.3	3.0	3.0	1.8	1.9	2.1	2.2	2.2	3.2	2.5
Property crimes per 1,000 ³	32.6	38.8	36.7	46.9	55.7	53.1	51.5	53.1	57.0	51.2
Commissioned officers per 1,000 ³	1.14	1.14	1.12	1.15	1.08	1.09	1.09	1.1	1.1	1.1
Full time commissioned officers ³	101	101	101	104	97	99	99	97	102	102
Building and permits ⁶										
Residential dwelling permits & valuations	1,759	994	656	599	603	1,331 ⁹	1,415	1,438	1,722	1,892
Non-residential building permits ³	98	167	167	160	155	31 ⁹	91	233	545	593
Mechanical permits	1,418	1,339	1,288	1,096	953	- ⁹	-	-	-	-
Plumbing permits	734	629	523	571	586	- ⁹	-	-	-	-
Mechanical/Plumbing commercial permits	-	-	-	-	-	- ⁹	315	357	305	341
Mechanical/Plumbing residential permits	-	-	-	-	-	- ⁹	1,160	1,437	1,404	1,523
Demolition permits	52	41	44	35	32	39 ⁹	55	65	47	40
Grading permits	32	29	16	17	29	38 ⁹	43	50	62	55
Miscellaneous bench permits & sign fees	8	6	5	7	8	13 ⁹	16	122	124	124
Transportation										
Highways & streets (surface in miles) ⁴	438	438	438	438	438	438	438	461	461	461
Lane miles maintained (per 1k population)	-	-	-	-	5.12	5.12	5.12	5.12	4.94	4.94
Potholes repaired	460	458	436	540	748	1,550	2,133	607	482	606
Street right-a-way permits	328	358	296	261	390	392	467	713	767	829
Local Gov't road maintenance per capita	\$48	\$61	\$47	\$43	\$41.29	\$41.29	\$51.29	\$53.11	\$48.11	\$48.01
Avg daily traffic counts I-90 at Sprague	109,000	110,000	109,000	107,000	108,000	108,000	108,000	114,000	118,000	107,000
Avg daily traffic counts I-90 at Pines	79,000	81,000	75,000	70,000	70,000	70,000	70,000	75,000	81,000	70,000
Avg daily traffic counts I-90 at Sullivan	66,000	69,000	67,000	66,000	63,000	63,000	63,000	70,000	75,000	66,000
Parks and recreation										
Participants; recreation programs	720	N.A. ⁸	N.A. ⁸	N.A. ⁸	N.A. ⁸	N.A. ⁸				
Parks reservations (Fields, shelters, parks)	222	227	258	252	394	407	399	428	425	431
Total participants in aquatic programs ⁷	27,096	24,409	33,688	35,910	36,484	35,978	33,681	29,820	30,612	31,453
CenterPlace reservations (by # of events) ⁷	609	692	815	823	816	915	812	1,083	919	923
Centennial trail (measured in miles)	7	7	7	7	7	7	7	7	7	7
Stormwater ⁵										
Storm ditches (measured in miles)	10	11	11	11	11	11	11	11	11	11
Ponds	24	28	35	38	38	39	39	41	41	106
Swales (measured in miles)	9	10	10	10	10	11	11	12	12	12

¹ Public safety and Police Protection services contracted through Spokane County Sheriff's Office.

² Offenses include: Motor vehicle theft, Larceny theft, Burglary, Simple & Aggravated assault, Robbery, Rape, and Murder (Source: Journal of Business).

³ Source: Community Indicators Initiative of Spokane (EWU).

⁴ Highways & Streets measured in centerline miles.

⁵ Stormwater programs acquired from Spokane County refer to note 6 of the notes to the financial statements.

⁶ Building Department converted from a paper record system to Computerized Permit record system November 2004.

⁷ CenterPlace is the City of Spokane Valley's Regional Community Center, and officially opened for business on September 25th, 2005. Events include:

Meetings/Seminars, Community Events, Weddings/Receptions, Private Parties, Fundraisers, and other functions.

⁸ Operational data for participants in recreation programs collected and recorded under CenterPlace reservations by number of events.

Tracking categories changed in FY 2008, separated operating indicators between Park reservations and CenterPlace events.

⁹ Building Department converted over to a New Permitting Software in FY '2012. Includes plumbing and mechanical permits issued as other residential valuations.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

City of Spokane Valley, Washington
Capital Asset Statistics by Function and Program
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Public safety building	1 ¹	1	1	1	1	1	1	1	1	1
Transportation										
Street facility building and yard	-	-	-	-	1	1	1	1	1	1
Cement concrete pavement (<i>in centerline miles</i>)	5	5	5	6	6	7	7	7	7	7
Asphalt plant or road mix (<i>in centerline miles</i>)	334	335	335	335	335	334	334	334	365	371
Bituminous surface (<i>in centerline miles</i>)	88	88	88	87	87	88	88	88	84	82
Gravel or crushed rock (<i>in centerline miles</i>)	11	10	10	10	10	9	9	9	1	1
Bridges	4	4	4	4	4	4	4	4	4	4
Traffic Signals	86	86	86	86	86	86	86	85	85	86
Flashing beacons school zone	16	16	20	20	24	32	32	36	36	36
4-Way intersection control flashing beacons	4	4	4	4	4	4	4	3	3	3
Rectangular Rapid flashing beacons (RRFB)	-	-	-	-	-	14	14	14	16	16
Digital Message Sign (DMS)	-	-	1	1	1	1	1	1	1	1
Standalone Traffic Cameras	-	-	3	3	4	4	8	8	9	9
Culture and recreation										
Parks acreage ³	171 ⁴	171	171	172	172	172	172	172	180	180
Parks	10 ⁴	10	10	10	10	11	11	11	11	11
Park shelters	5	6	8	9	10	10	10	10	13	13
Turf fields	2	2	2	2	2	2	2	2	-	-
Park monuments	1	2	2	2	2	2	2	2	3	3
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball fields	4	4	4	4	4	4	4	4	3	3
Basketball courts	3	3	3	3	3	3	3	3	4	4
Volleyball courts	2	2	2	2	2	2	2	2	10	11
Tennis courts	2	2	2	2	2	2	2	2	4	4
Horseshoe pit	-	-	-	-	1	1	1	1	1	1
Community center (Senior Center)	1	- ²	-	-	-	-	-	-	-	-
Regional Convention center (CenterPlace)	1	1	1	1	1	1	1	1	1	1
Dance hall/arena	1	1	1	1	1	1	1	1	1	1
Horse arena	1	1	1	1	1	1	1	1	1	1
Stormwater management ⁵										
Drywells	7,000	7,200	7,330	7,376	7,262	7,189	7,439	5,751	5,738	7,263
Catchbasins	3,000	3,400	3,410	3,607	3,627	3,687	3,831	3,906	4,008	4,038
Curb/sidewalkdrops	2,000	2,400	2,480	2,473	2,479	2,487	2,801	2,932	3,116	3,148
Manhole & stormdrain covers (square & round)	10,400	10,600	10,600	11,154	11,162	11,175	11,270	12,589	13,028	11,620
Culverts	100	100	106	106	106	106	110	51	67	2
Pump systems	4	4	4	4	4	4	4	4	4	4
Stormwater pipe (not combined with sewer, miles)	18	22	22	24	24	25	27	12	12	29

1) City of Spokane Valley acquired the Public Safety Building from Spokane County in FY '2007.

2) Spokane Valley Senior Center was completely demolished in FY '2008, and Senior Center activities are housed within the 54,000 sq. ft. CenterPlace Facility.

3) Park acreage information reported in City's Master Plan.

4) Park acreage increased in FY '2007 through acquisition of Greenacres Park for a total of "8" additional acres.

5) Stormwater assets acquired through Spokane County, refer to note 6 of the notes to the financial statements.

Note: Acquisition of Balfour Park, Fall of 2012.

City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank



City of Spokane Valley, Washington
Comprehensive Annual Financial Report - Fiscal Year 2016

This page is intentionally blank

