



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Pullman

Whitman County

For the period January 1, 2014 through December 31, 2014

Published September 24, 2015

Report No. 1014987





Washington State Auditor's Office

September 24, 2015

Mayor and City Council
City of Pullman
Pullman, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Pullman's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**City of Pullman
Whitman County
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Pullman are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

**City of Pullman
Whitman County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Pullman
Pullman, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pullman, Whitman County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 25, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 25, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Pullman
Whitman County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Pullman
Pullman, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Pullman, Whitman County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive, flowing style.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

August 25, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Pullman Whitman County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Pullman
Pullman, 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 Pullman, Whitman County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

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 Pullman, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Street funds, 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 15 through 22 and information on postemployment benefits other than pensions on page 75 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule 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. The information has been subjected to the 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015 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. 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 25, 2015

FINANCIAL SECTION

**City of Pullman
Whitman County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds – 2014

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund-2014

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Street Fund-2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits – LEOFF 1 Retiree Medical Benefits – Schedule of Funding Progress – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Pullman, Washington (the City)'s annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City as of and for the fiscal year ended December 31, 2014. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$116,340,579 (net position) for the fiscal year reported.
- Total net position are comprised of the following:
 - (1) Net investment in capital assets of \$85,499,274 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$4,947,402 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$25,893,903 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$11,932,273 this year. This compares to the prior year ending fund balance of \$8,412,830, showing an increase of \$3,519,443 during the current year. Unassigned fund balance of \$4,413,496 for fiscal year 2014 shows a \$2,022,792 increase from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,413,496, or 26.6 percent of total General Fund expenditures and 22.6 percent of total General Fund revenues.
- Overall, the City continues to maintain a stable financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The intent of this section of the management's discussion and analysis is to introduce and explain the basic financial statements. The financial statements are prepared in accordance with accounting principles generally accepted in the United States as proclaimed by the GASB principles.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to that used by the private sector.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as changes to the City's property tax base, changes to the sales tax base, and the condition of the City's infrastructure.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements differentiate governmental activities of the City that are principally supported by property, sales and utility taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government services, public safety, physical environment, transportation, economic environment, mental health & physical health, and culture and recreation. Business-type activities include the utility services and transit services. The internal service funds provide services to other funds within the City and the majority of these activities are reported in governmental activities at the government-wide financial reporting level.

The government-wide financial statements are presented immediately following this Management Discussion and Analysis (MD&A).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregate presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to illustrate the differences between these two perspectives.

Budgetary comparison statements are included as "basic financial statements" for the major, general and street funds. These statements demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. The internal service funds provide services to other funds of the City.

Fiduciary funds include two funds. The City reports these funds only at the fund level since the resources in these funds are not available for City use.

Notes To The Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole

The City implemented the new financial reporting model used in this report beginning with the year ended December 31, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Reporting and Fund Type Definitions*, during 2011.

The City's net position at fiscal year-end are \$116,340,579. The following table provides a summary of the City's net position as of December 31, 2014 and December 31, 2013:

Summary of Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Percentage</u> <u>Of Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:								
Current assets	\$15,464,102	\$10,769,229	\$20,138,338	\$16,490,587	\$35,602,440	\$27,259,816	26.5%	22.1%
Restricted assets	640,683	632,514	1,520	58,245	642,203	690,759	0.5%	0.6%
Capital assets	<u>34,225,654</u>	<u>33,477,917</u>	<u>63,974,602</u>	<u>61,562,908</u>	<u>98,200,256</u>	<u>95,040,825</u>	<u>73.0%</u>	<u>77.3%</u>
Total assets	<u>50,330,439</u>	<u>44,879,660</u>	<u>84,114,460</u>	<u>78,111,740</u>	<u>134,444,899</u>	<u>122,991,400</u>	<u>100.0%</u>	<u>100.0%</u>
Liabilities:								
Current liabilities	2,927,220	3,071,263	2,236,172	1,746,300	5,163,392	4,817,563	28.5%	28.4%
Long-term liabilities	<u>2,491,786</u>	<u>2,034,022</u>	<u>10,449,142</u>	<u>10,092,789</u>	<u>12,940,928</u>	<u>12,126,811</u>	<u>71.5%</u>	<u>71.6%</u>
Total liabilities	<u>5,419,006</u>	<u>5,105,285</u>	<u>12,685,314</u>	<u>11,839,089</u>	<u>18,104,320</u>	<u>16,944,374</u>	<u>100.0%</u>	<u>100.0%</u>
Net position:								
Net investment in								
capital assets	33,378,197	32,304,877	52,121,077	50,677,932	85,499,274	82,982,809	73.5%	78.3%
Restricted	4,237,402	2,584,540	710,000	378,364	4,947,402	2,962,904	4.2%	2.8%
Unrestricted	<u>7,295,834</u>	<u>4,884,958</u>	<u>18,598,069</u>	<u>15,216,355</u>	<u>25,893,903</u>	<u>20,101,313</u>	<u>22.3%</u>	<u>18.9%</u>
Total net position	<u>\$44,911,433</u>	<u>\$39,774,375</u>	<u>\$71,429,146</u>	<u>\$66,272,651</u>	<u>\$116,340,579</u>	<u>\$106,047,026</u>	<u>100.0%</u>	<u>100.0%</u>

The City continues to maintain an acceptable current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 5.3 to 1 and 9.0 to 1 for business-type activities. For the City overall, the current ratio is 6.9 to 1. We consider these ratios within an acceptable range.

The City reported positive balances in net position for both governmental and business-type activities. Net position increased \$5,137,058 for governmental activities and increased by \$6,825,790 for business-type activities. The City's overall financial position improved during fiscal year 2014.

Note that approximately 76.2 percent of the governmental activities' net position are tied up in capital. Also, note that the City began capitalizing their total infrastructure December 31, 2007. The City uses these capital assets to provide services to its citizens. However, with business-type activities, the City has spent approximately 89.6 percent of its net position on capital. Capital assets in the business-type activities provide utility services, but they also generate revenues for these funds. Capital assets make up 84.4 percent of the City's total net position.

The following table provides a summary of the City's changes in net position as of December 31, 2014 and December 31, 2013:

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Of Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues:								
Program:								
Charges for services	\$3,373,938	\$3,720,898	\$15,989,466	\$14,662,877	\$19,363,404	\$18,383,775	43.6%	45.7%
Fines and forfeits	-	-	-	-	-	-	0.0%	0.0%
Miscellaneous	-	-	-	-	-	-	0.0%	0.0%
Operating Grants	1,891,636	2,890,462	1,533,015	2,597,302	6,093,109	5,487,764	7.7%	13.6%
Capital Grants	1,943,843	-	1,457,420	1,783,460	1,457,420	1,783,460	7.7%	4.4%
General:								
Taxes	18,071,070	14,444,232	-	-	17,346,458	14,444,232	40.7%	35.9%
Interest	109,097	100,832	39,664	14,177	148,761	115,009	0.3%	0.3%
Other revenues	7,435	23,821	3,629	-	11,064	23,821	0.0%	0.1%
Disposition of capital assets	-	-	-	-	-	-	0.0%	0.0%
Total revenues	<u>25,397,022</u>	<u>21,180,245</u>	<u>19,023,194</u>	<u>19,057,816</u>	<u>44,420,216</u>	<u>40,238,061</u>	<u>100.0%</u>	<u>100.0%</u>
Program expenses:								
Gen Gov't Services	1,297,533	2,768,381	-	-	1,297,533	2,768,381	4.0%	8.6%
Public Safety	11,468,743	11,035,644	-	-	11,468,743	11,035,644	35.3%	34.6%
Highways and Streets	1,888,605	1,591,526	-	-	1,888,605	1,591,526	5.8%	5.0%
Economic Development	-	-	-	-	-	-	0.0%	0.0%
Culture & Recreation	5,534,996	5,495,605	-	-	5,534,996	5,495,605	17.1%	17.2%
Int & Other Debt Service Costs	80,072	117,939	-	-	80,072	117,939	0.2%	0.4%
Utilities	-	-	8,753,657	7,657,267	8,753,657	7,657,267	27.0%	24.0%
Other business types	-	-	3,439,198	3,250,830	3,439,198	3,250,830	10.6%	10.2%
Total expenses	<u>20,269,949</u>	<u>21,009,095</u>	<u>12,192,855</u>	<u>10,908,097</u>	<u>32,462,804</u>	<u>31,917,192</u>	<u>100.0%</u>	<u>100.0%</u>
Excess revenues	5,127,073	171,150	6,830,339	8,149,719	11,957,412	8,320,869		
Transfers	9,985	207,194	(4,549)	(63,707)	5,436	143,487		
Change in net position	5,137,058	378,344	6,825,790	8,086,012	11,962,848	8,464,356		
Beginning net position	<u>39,774,375</u>	<u>39,396,031</u>	<u>64,603,356</u>	<u>56,517,344</u>	<u>104,377,731</u>	<u>95,913,375</u>		
Ending net position	<u>\$44,911,433</u>	<u>\$39,774,375</u>	<u>\$71,429,146</u>	<u>\$64,603,356</u>	<u>\$116,340,579</u>	<u>\$104,377,731</u>		

GOVERNMENTAL REVENUES

The City is heavily reliant on three types of taxes to support governmental operations. Property taxes provided 28.3 percent of the revenues for governmental activities. Sales taxes provided 17.8 percent of these revenues, and utility taxes total 15.2 percent. Charges for services totaled 13.3 percent of these revenues. Note that program revenues cover approximately 35.6 percent of governmental operating expenses. This means that the government's taxpayers and the City's other general revenues fund 64.4 percent of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

Public safety costs comprise 56.6 percent of the City's total governmental expenses. Highways and Streets costs make up 9.3 percent of the total governmental expenses. The general government services expenses are 6.4 percent of governmental expenses.

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities

	Total Cost Of Services		Net Cost Of Services	
	2014	2013	2014	2013
Gen Gov't Services	\$1,297,533	\$2,768,381	\$(307,964)	\$(1,682,634)
Public Safety	11,468,743	11,035,644	(9,275,181)	(8,854,164)
Highways and Streets	1,888,605	1,591,526	562,270	144,482
Culture & Recreation	5,534,996	5,495,605	(3,959,582)	(3,887,480)
Int & Other Debt Service				
Costs	<u>80,072</u>	<u>117,939</u>	<u>(80,072)</u>	<u>(117,939)</u>
Total	<u>\$20,269,949</u>	<u>\$21,009,095</u>	<u>\$(13,060,529)</u>	<u>\$(14,397,735)</u>

Program revenues covered the program expenses for only one function, interest on long-term debt.

**BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs**

For all enterprise funds, the City reports a current ratio of 9.0 to 1, which is a healthy ratio. The business-type activities report capitalized assets of \$64.0 million, which provide a variety of services to the citizens of Pullman.

The business-type activities report \$18.6 million in unrestricted net position, which provides these funds with adequate resources to maintain service levels without substantial increases in their revenue streams.

The operating revenues for both of the City's enterprise funds increased \$1,209,542 or 9.1 percent more than 2013, with operating expenses \$806,033 or 6.5 percent more than 2013. Within the total business-type activities of the City, these enterprise funds reported \$1,167,256 operating income compared to operating income of \$763,747 for the prior year. A detailed discussion of the major enterprise funds is presented in a separate section below.

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of approximately \$11.9 million. Of this year-end total, \$4.4 million is unassigned indicating an increasing availability for continuing City service requirements. Legally restricted fund balances, are captured under other governmental funds, include \$635,669 to the Lawson Expendable Trust, Firemen Pension Fund, and the Cemetery Perpetual Care Fund.

The total ending fund balances of governmental funds show an increase of \$3,519,443 or 41.8 percent above the prior year. This increase is primarily the result of the events and programs described within the analysis of the City's governmental activities.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$2,671,098. In the prior year, the fund balance increased by \$1,100,533. Unassigned fund balance as a percentage of expenditures was 26.6 percent of operations or slightly less than three months of operations. The unassigned fund balance is in a better position to protect the fund against unforeseen emergencies or downturns in the economy.

Taxes totaling \$17.3 million made up 68.3 percent of total governmental funds revenue in 2014 as compared to 68.2 percent in 2013. Property taxes increased approximately 32.2 percent or \$1,750,009 due to the voter's levy lift.

General fund expenditures increased \$441,773 or approximately 2.7 percent, primarily due to public safety, but the general fund actual expenditures are \$890,538 less than budget. Public safety made up 66.1 percent of total expenditures. Since the general fund supports a number of programs in other funds, \$213,194 was transferred to these funds including \$19,696 to the equipment rental fund, \$32,013 to the Airport, \$3,926 to the information systems fund, \$70,000 to metro park fund, and \$87,559 to the government buildings fund.

The streets fund ended the year with an increase in fund balance of \$726,210. After the above-mentioned transfers, the net fund balance in the equipment rental, government buildings, and the information systems funds were \$6,278,818, \$828,653 and \$315,561, respectively.

The Proprietary Funds

The City reports two primary enterprise funds, of which both are considered major funds. One fund provides the utility services of water, sewer, and stormwater and the other provides transit services to the citizens of Pullman. The City also maintains three internal service funds.

The Water, Sewer, and Stormwater Systems - The water, sewer, and stormwater systems report net position of \$62.1 million, with \$45.1 million or 72.5 percent invested in capital assets. The current ratio for this fund is 8.2 to 1 which provides this fund with adequate resources to cover cash flow issues.

The water, sewer, and stormwater systems reported operating income of \$3,584,713 with a total increase in net position of approximately \$5,228,479 after capital contributions and transfers in from other funds. The operating income amount is more favorable than the operating income of \$3,089,017 in 2013. The change in net position amount is more favorable than the change in net position of \$4.9 million in 2013.

The Transit System - The transit system reports net position of \$7.7 million, with \$7.1 million or 91.2 percent invested in capital assets. The current ratio for this fund is 3.5 to 1 which provides this fund with adequate resources to cover cash flow issues.

The transit system reported operating loss of \$2,417,457 with a total increase in net position of approximately \$56,450 after capital contributions and transfers in from other funds. The operating income amount is not as favorable as the loss of \$2,325,270 in 2013. The change in net position amount is less favorable than the increase in net position of \$1,199,236 in 2013.

Budgetary Highlights

The General Fund - The General Fund's original revenue budget was less than the 2014 actual results and the original expenditure budget was more than the 2014 actual results. The City Council did not amend the revenue budget. The City Council amended the expenditure budgets during 2014, which resulted in a 3.6 percent net change between the original and final budgets. In total, actual revenues were more than the final budget by \$1,094,555 or about 5.9 percent above budget. The primary changes in the revenue budgets are related to taxes and building permits. The total actual expenditures were less than the final budget by \$890,538 or about 5.1 percent below budget. The primary changes to the expenditure budgets were salary and benefit costs savings from not filling positions in Library (cultural and recreation), open positions in Police at the beginning of the year, salary expenditures increased in the Fire department, and expenditure reductions by departments.

On the revenue side of the budget, the primary difference between the final budget and the actual amounts relates to sales taxes, utility taxes, and licenses and permits. The difference in sales taxes relates to an increase in sales taxable building construction projects. The difference in utility taxes relates to increase in electricity/gas tax. The difference in licenses and permits relates to increase in building. The unfavorable budget variance in charges for services relates to ambulance billings.

On the expenditure side of the budget, the largest favorable variances between the final budget and the actual amounts are in cultural and recreational, police, and fire. The actual amounts expended by cultural and recreational were less than the final budget by \$311,561 or a 7.0 percent difference. The police function was less than the final budget by \$309,181 or a 5.1 percent difference. The fire function was less than the final budget by \$143,661 or a 2.9 percent difference.

The City staff considers the annual budget to be an extremely important document and attempts to include in the budget, their best estimate of revenue and expenditures.

Capital Assets and Debt Administration

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2014, was \$34.2 million and \$64.0 million, respectively. The total change in net investment was a 2.2 percent increase for governmental and a 3.9 percent increase for business-type activities. The overall increase was 3.3 percent for the City as a whole. See Note 6 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity:

Capital Assets								
(Amounts Presented in \$1,000's)								
	Governmental		Business-Type		Total		Percentage	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		<u>Of Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Non-depreciable assets:								
Land	\$1,306	\$1,306	\$997	\$997	\$2,303	\$2,303	1.5%	1.6%
Construction in progress	<u>855</u>	<u>839</u>	<u>4,874</u>	<u>11,640</u>	<u>5,729</u>	<u>12,479</u>	<u>3.9%</u>	<u>8.9%</u>
Total non-depreciable	<u>2,161</u>	<u>2,145</u>	<u>5,871</u>	<u>12,637</u>	<u>8,032</u>	<u>14,782</u>	<u>5.4%</u>	<u>10.5%</u>
Depreciable assets:								
Plant in service	-	-	86,648	75,433	86,648	75,433	58.7%	53.5%
Buildings	6,362	6,362	-	-	6,362	6,362	4.3%	4.5%
Other improvements	5,815	5,620	-	-	5,815	5,620	3.9%	4.0%
Machinery and equipment	9,412	8,647	-	-	9,412	8,647	6.4%	6.1%
Infrastructure	<u>31,378</u>	<u>30,122</u>	-	-	<u>31,378</u>	<u>30,122</u>	<u>21.3%</u>	<u>21.4%</u>
Total depreciable assets	<u>52,967</u>	<u>50,751</u>	<u>86,648</u>	<u>75,433</u>	<u>139,615</u>	<u>126,184</u>	<u>94.6%</u>	<u>89.5%</u>
Total cost of capital assets	55,128	52,896	92,519	88,070	147,647	140,966	<u>100.0%</u>	<u>100.0%</u>
Accumulated depreciation	<u>20,902</u>	<u>19,418</u>	<u>28,544</u>	<u>26,507</u>	<u>49,446</u>	<u>45,925</u>		
Book value - capital assets	<u>\$34,226</u>	<u>\$33,478</u>	<u>\$63,975</u>	<u>\$61,563</u>	<u>\$98,201</u>	<u>\$95,041</u>		
Percentage depreciated	<u>37.9%</u>	<u>36.7%</u>	<u>30.9%</u>	<u>30.1%</u>	<u>33.5%</u>	<u>32.6%</u>		

At December 31, 2014, the depreciable capital assets for governmental activities were 37.9 percent depreciated compared to 36.7 percent at December 31, 2013. These percentages provide an indicator that the City is maintaining and replacing their assets at a slightly unfavorable rate.

With the City's business type activities, 30.9 percent of the asset values were depreciated at December 31, 2014 compared to 30.1 percent at December 31, 2013. These percentages provide an indicator that the City is maintaining and replacing their assets at a favorable rate.

Long-term debt

At the end of the fiscal year, the City had long-term debt outstanding of \$12.7 million. Of this amount, \$815,000 or 6.4 percent is backed by the full faith and credit of the City (general obligation bonds) with debt service fully funded by voter-approved property taxes or general government revenue, and revenue bonds amounting to \$3,680,000 or 29.0 percent. The other major components are \$8,206,000 supported by pledged revenues generated primarily by the business-type activities of the City (Public Works Trust Fund loans and Department of Ecology Water Pollution Control Revolving Fund Loan) and the governmental activities of the City (LOCAL Program).

During the year, the City retired \$1,117,769 or 9.3 percent of the beginning outstanding borrowed debt balance and added \$1,760,735 for a net increase of \$642,966.

Outstanding Borrowings
(in \$1,000's)

	Governmental Activities		Business-Type Activities		Totals		Percentage Change
	2014	2013	2014	2013	2014	2013	
General obligation bonds	\$815	\$1,090	\$ -	\$ -	\$815	\$1,090	-25.2%
Special assessment debt	-	-	-	-	-	-	0.0%
Revenue bonds	-	-	3,680	2,290	3,680	2,290	60.7%
Capital leases	32	64	-	-	32	64	-50.0%
Bank and other loans	-	19	8,174	8,595	8,174	8,614	-5.1%
Total	<u>\$847</u>	<u>\$1,173</u>	<u>\$11,854</u>	<u>\$10,885</u>	<u>\$12,701</u>	<u>\$12,058</u>	5.3%

The debt per capita was approximately \$404.23, which is substantially below the national average.

See Note 10 for additional information about the City's long-term debt.

Economic Conditions Affecting the City

Since one of the primary revenue streams for the City is sales tax, the City's sales tax revenues are subject to changes in the economy. Since sales taxes are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy. The City of Pullman is not considered a retail center, but has experienced higher than average sales tax collections over the past three years. The City of Pullman's sales tax collections have been strong due to high levels of new construction than in previous years. Based on the strong building permit issuances in 2014, and increasing scheduled construction on the Washington State University campus, sales tax collections increased 14.6% from 2013 to 2014. A strong increase in retail and wholesale sales tax sectors helped to continue our growth for sales taxes in 2014. The City of Pullman will benefit from increased building at Washington State University on sales taxable projects, as well as, the Pullman School District building projects. The City of Pullman is expected to continue to face challenges from significant increases to medical insurance premiums.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Office of Finance, 325 S.E. Paradise Street, Pullman, WA 99163.

City of Pullman
Statement of Net Position
December 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,548,894	\$ 12,053,872	\$ 25,602,766
Investments	1,776,820	3,297,990	5,074,810
Receivables (net of allowance for uncollectibles)	1,025,880	910,612	1,936,492
Due from other government units	275,613	1,938,486	2,214,099
Internal balances	(1,540,861)	1,540,861	-
Inventories	327,157	377,199	704,356
Prepays	50,599	19,318	69,917
Deferred charges	-	-	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	640,683	1,520	642,203
Investments	-	-	-
Intergovernmental receivable	-	-	-
Permanently restricted:			
Investments	-	-	-
Capital assets (net of accumulated depreciation):			
Land	1,306,230	996,638	2,302,868
Buildings and system	3,048,017	20,681,217	23,729,234
Improvements other than buildings	3,551,792	21,095,499	24,647,291
Machinery and equipment	3,499,522	16,326,879	19,826,401
Infrastructure	21,965,383	-	21,965,383
Construction in progress	854,710	4,874,369	5,729,079
Total assets	<u>50,330,439</u>	<u>84,114,460</u>	<u>134,444,899</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Accounts payable and other current liabilities	311,802	143,373	455,175
Matured long term debt	-	-	-
Custodial deposits	839,982	-	839,982
Taxes payable	-	-	-
Accrued interest payable	-	85,199	85,199
Accrued wages and benefits	1,034,121	402,736	1,436,857
Unearned revenue	280,739	22,481	303,220
Liabilities payable from restricted assets	-	1,720	1,720
Net OPEB obligation - due within one year	143,119	-	143,119
Long term debt - due within one year	317,457	1,580,663	1,898,120
Noncurrent liabilities:			
Compensated absences	576,007	176,280	752,287
Net OPEB obligation - due in more than one year	1,385,779	-	1,385,779
Long term debt - due in more than one year	530,000	10,272,862	10,802,862
Capital leases	-	-	-
Total liabilities	<u>5,419,006</u>	<u>12,685,314</u>	<u>18,104,320</u>
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	33,378,197	52,121,077	85,499,274
Restricted for:			
Highways and streets	1,518,927	-	1,518,927
Culture and recreation	2,081,906	-	2,081,906
Public safety	900	-	900
Debt service	-	710,000	710,000
Perpetual care:			
Expendable	-	-	-
Nonexpendable	262,069	-	262,069
Other purposes	373,600	-	373,600
Unrestricted	<u>7,295,834</u>	<u>18,598,069</u>	<u>25,893,903</u>
Total net position	<u>\$ 44,911,433</u>	<u>\$ 71,429,146</u>	<u>\$ 116,340,579</u>

The notes to the financial statements are an integral part of this statement.

City of Pullman
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,297,533	\$ 612,238	\$ 377,331	\$ -	\$ (307,964)	\$ -	\$ (307,964)
Public safety	11,468,743	453,117	1,332,745	407,700	(9,275,181)	-	(9,275,181)
Highways and streets	1,888,605	914,729	-	1,536,146	562,270	-	562,270
Culture and recreation	5,534,996	1,393,854	181,560	-	(3,959,582)	-	(3,959,582)
Interest on long-term debt	80,072	-	-	-	(80,072)	-	(80,072)
Total governmental activities	20,269,949	3,373,938	1,891,636	1,943,846	(13,060,529)	-	(13,060,529)
Business-type activities:							
Utilities	8,753,657	12,807,022	269,211	1,457,420	-	5,779,996	5,779,996
Transit	3,439,198	3,182,444	1,263,804	-	-	1,007,050	1,007,050
Total business-type activities	12,192,855	15,989,466	1,533,015	1,457,420	-	6,787,046	6,787,046
Total primary government	\$ 32,462,804	\$ 19,363,404	\$ 3,424,651	\$ 3,401,266	(13,060,529)	6,787,046	(6,273,483)
General revenues:							
Property taxes					7,177,813	-	7,177,813
Sales taxes					4,503,261	-	4,503,261
Utility taxes					3,865,302	-	3,865,302
Business taxes					411,936	-	411,936
Motor vehicle fuel taxes					639,233	-	639,233
Excise taxes					418,897	-	418,897
Other taxes					1,054,628	-	1,054,628
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					109,097	39,664	148,761
Other revenues					7,435	3,629	11,064
Transfers					9,985	(4,549)	5,436
Total general revenues and transfers					18,197,587	38,744	18,236,331
Prior year adjustments					-	-	-
Change in net position					5,137,058	6,825,790	11,962,848
Prior Period Adjustments					-	-	-
Net position - beginning					39,774,375	64,603,356	104,377,731
Net position - ending					\$ 44,911,433	\$ 71,429,146	\$ 116,340,579

The notes to the financial statements are an integral part of this statement.

**City of Pullman
Balance Sheet
Governmental Funds
December 31, 2014**

	General	Streets	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	\$ 4,171,404	\$ 4,101,647	\$ 2,747,323	\$ 11,020,374
Cash with fiscal agent	-	-	-	-
Investments	1,776,820	-	-	1,776,820
Receivables (net of allowance for uncollectibles)	451,064	86,211	36	537,311
Taxes Receivable	233,022	-	40,371	273,393
Other Current Receivables	264,510	-	-	264,510
Due from other funds	1,681	-	-	1,681
Due from other governmental units	259,872	6,857	7,203	273,932
Inventories	-	-	-	-
Prepaid items	27,546	-	-	27,546
Intergovernmental receivable - restricted	-	-	-	-
Total assets	7,185,919	4,194,715	2,794,933	14,175,567
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 7,185,919	\$ 4,194,715	\$ 2,794,933	\$ 14,175,567
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117,973	\$ 35,059	\$ 23,304	176,336
Other accrued liabilities	-	20,000	-	20,000
Accrued wages and benefits	895,429	25,882	4,926	926,237
Taxes Payable	-	-	-	-
Custodial accounts	18,999	-	-	18,999
Due to other funds	-	-	-	-
Customer deposits	472,811	348,172	-	820,983
Matured bonds payable	-	-	-	-
Unearned revenue	240,369	-	40,370	280,739
Liabilities payable from restricted assets	-	-	-	-
Total liabilities	1,745,581	429,113	68,600	2,243,294
Deferred inflows of resources	-	-	-	-
Fund balances:				
Nonspendable	27,547	-	-	27,547
Restricted	12,043	1,518,927	2,706,432	4,237,402
Committed	387,252	1,924,842	-	2,312,094
Assigned	600,000	321,833	19,901	941,734
Unassigned	4,413,496	-	-	4,413,496
Total fund balances	5,440,338	3,765,602	2,726,333	11,932,273
Total liabilities, deferred inflows of resources and fund balances	\$ 7,185,919	\$ 4,194,715	\$ 2,794,933	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,069,290
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	5,815,326
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,905,456)
Net position of governmental activities	\$ 44,911,433

The notes to the financial statements are an integral part of this statement.

City of Pullman
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Streets	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 6,145,846	\$ -	\$ 1,031,967	\$ 7,177,813
Sales	4,503,261	-	-	4,503,261
Utility	2,616,857	1,248,445	-	3,865,302
Business	-	-	411,936	411,936
Excise	-	365,575	-	365,575
Other	1,022,571	-	-	1,022,571
Licenses and permits	699,495	525	-	700,020
Intergovernmental	618,484	2,175,379	32,057	2,825,920
Charges for services	3,614,529	1,841	6,473	3,622,843
Fines	56,493	-	-	56,493
Investment earnings	35,769	359	72,557	108,685
Contributions and donations	52,412	-	17,587	69,999
Facility rentals	81,799	-	-	81,799
Other miscellaneous revenues	43,380	31,244	-	74,624
Total revenues	<u>19,490,896</u>	<u>3,823,368</u>	<u>1,572,577</u>	<u>24,886,841</u>
EXPENDITURES				
Current:				
General government	1,485,358	-	-	1,485,358
Public safety	10,948,604	-	7,771	10,956,375
Highway and streets	-	1,363,454	-	1,363,454
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Culture and recreation	4,138,913	-	1,081,663	5,220,576
Debt service:				
Principal	-	-	275,000	275,000
Debt issuance	-	-	-	-
Interest	-	-	45,688	45,688
Debt service costs	-	-	655	655
Capital outlay:				
Land	-	-	-	-
Buildings	-	-	-	-
Highway and streets	-	-	-	-
Improvements	-	1,802,934	147,870	1,950,804
Total expenditures	<u>16,572,875</u>	<u>3,166,388</u>	<u>1,558,647</u>	<u>21,297,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,918,021</u>	<u>656,980</u>	<u>13,930</u>	<u>3,588,931</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	7,435	-	7,435
Transfers in	-	100,000	108,448	208,448
Transfers out	(213,194)	(38,205)	(243)	(251,642)
Capital Leases	(33,729)	-	-	(33,729)
Prior year adjustments and change in reserves	-	-	-	-
Total other financing sources and uses	<u>(246,923)</u>	<u>69,230</u>	<u>108,205</u>	<u>(69,488)</u>
Net change in fund balances	<u>2,671,098</u>	<u>726,210</u>	<u>122,135</u>	<u>3,519,443</u>
Fund balances - beginning	<u>2,769,240</u>	<u>3,039,392</u>	<u>2,604,198</u>	<u>8,412,830</u>
Fund balances - ending	<u>\$ 5,440,338</u>	<u>\$ 3,765,602</u>	<u>\$ 2,726,333</u>	<u>\$ 11,932,273</u>

The notes to the financial statements are an integral part of this statement.

City of Pullman
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
For the Year Ended December 31, 2014

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

Net change in fund balances - total governmental funds \$ 3,519,443

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 and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlays	2,122,650	
Depreciation	(1,315,231)	
Disposals	17,840	825,259

The net effect of various miscellaneous transactions involving changes in fund balance (i.e. prior year adjustments, changes in reserves) is to decrease net position.

Change in compensated absences payables (22,613)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal; of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayment of the principal of long term debt	275,000	
Repayment of capital leases	31,232	306,232

Change in net other postemployment benefits 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. (342,333)

Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

Internal service funds change in net position	722,635	
Change in adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	128,434	851,069

Change in net position of governmental activities \$ 5,137,057

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 6,140,000	6,140,000	\$ 6,145,846	\$ 5,846
Sales	4,060,346	4,060,346	4,503,261	442,915
Utility	2,451,000	2,451,000	2,616,857	165,857
Other	890,000	890,000	1,022,571	132,571
Licenses and permits	503,700	503,700	699,495	195,795
Intergovernmental	482,508	482,508	618,484	135,976
Charges for services	3,646,237	3,646,237	3,614,529	(31,708)
Fines	42,000	42,000	56,493	14,493
Investment earnings	35,000	35,000	35,769	769
Contributions and donations	33,500	33,500	52,412	18,912
Facility rentals	74,000	74,000	81,799	7,799
Other miscellaneous revenues	38,050	38,050	43,380	5,330
Total revenues	18,396,341	18,396,341	19,490,896	1,094,555
EXPENDITURES				
Current:				
General government:				
Council	159,518	159,518	154,729	4,789
Mayor & Supervisor	177,436	182,031	178,105	3,926
Attorney	84,500	84,500	84,009	491
Personnel	102,700	106,790	104,428	2,362
Finance and administration	744,646	769,246	725,690	43,556
Other - unclassified	208,105	292,105	238,397	53,708
Total general government	1,476,905	1,594,190	1,485,358	108,832
Public safety:				
Police	6,041,279	6,062,426	5,753,245	309,181
Fire	4,695,357	4,886,025	4,742,364	143,661
Inspection	389,174	470,298	452,995	17,303
Total public safety	11,125,810	11,418,749	10,948,604	470,145
Culture and recreation	4,251,115	4,450,474	4,138,913	311,561
Total expenditures	16,853,830	17,463,413	16,572,875	890,538
Excess of revenues over expenditures:	1,542,511	932,928	2,918,021	1,985,093
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(146,493)	(146,493)	(213,194)	(66,701)
Capital leases	(33,729)	(33,729)	(33,729)	-
Prior year adjustments and change in reserves	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources and uses	(180,222)	(180,222)	(246,923)	(66,701)
Net change in fund balances	1,362,289	752,706	2,671,098	1,918,392
Fund balances - beginning	2,769,240	2,769,240	2,769,240	-
Fund balances - ending	\$ 4,131,529	\$ 3,521,946	\$ 5,440,338	\$ 1,918,392

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-
Utility	1,109,500	1,109,500	1,248,445	138,945
Business	-	-	-	-
Excise	170,000	170,000	365,575	195,575
Other	-	-	-	-
Licenses and permits	400	400	525	125
Intergovernmental	3,188,517	3,188,517	2,175,379	(1,013,138)
Charges for services	-	-	1,841	1,841
Fines	-	-	-	-
Special assessments	-	-	-	-
Investment earnings	325	325	359	34
Contributions and donations	75,000	75,000	-	(75,000)
Facility rentals	-	-	-	-
Other miscellaneous revenues	7,120	7,120	31,244	24,124
Total revenues	<u>4,550,862</u>	<u>4,550,862</u>	<u>3,823,368</u>	<u>(727,494)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highway and streets	1,546,674	1,546,674	1,363,454	183,220
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Debt service costs	-	-	-	-
Capital outlay:				
Highway and streets	-	-	-	-
Improvements	3,701,256	3,701,256	1,802,934	1,898,322
Total expenditures	<u>5,247,930</u>	<u>5,247,930</u>	<u>3,166,388</u>	<u>2,081,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(697,068)</u>	<u>(697,068)</u>	<u>656,980</u>	<u>1,354,048</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term debt	-	-	-	-
Insurance recoveries	-	-	7,435	7,435
Transfers in	100,000	100,000	100,000	-
Transfers out	(38,000)	(38,000)	(38,205)	(205)
Prior year adjustments and change in reserves	-	-	-	-
Total other financing sources and uses	<u>62,000</u>	<u>62,000</u>	<u>69,230</u>	<u>7,230</u>
Net change in fund balances	<u>(635,068)</u>	<u>(635,068)</u>	<u>726,210</u>	<u>1,361,278</u>
Fund balances - beginning	3,039,392	3,039,392	3,039,392	-
Fund balances - ending	<u>\$ 2,404,324</u>	<u>\$ 2,404,324</u>	<u>\$ 3,765,602</u>	<u>\$ 1,361,278</u>

The notes to the financial statements are an integral part of this statement.

**City of Pullman
Statement of Net Position
Proprietary Funds
December 31, 2014**

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	Utility Current Year	Transit Current Year	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,760,009	\$ 293,863	\$ 12,053,872	\$ 3,169,203
Cash with fiscal agent	-	-	-	-
Investments	3,297,990	-	3,297,990	-
Interest receivable	11,276	-	11,276	-
Accounts receivable	809,770	354	810,124	-
Due from other funds	-	-	-	-
Other current receivable	3,000	86,212	89,212	17,511
Intergovernmental receivable	1,375,486	563,000	1,938,486	-
Inventories	377,199	-	377,199	327,157
Prepaid items	15,953	3,365	19,318	23,053
Total current assets	<u>17,650,683</u>	<u>946,794</u>	<u>18,597,477</u>	<u>3,536,924</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Customer deposits	1,520	-	1,520	-
Investments	-	-	-	-
Total restricted assets	<u>1,520</u>	<u>-</u>	<u>1,520</u>	<u>-</u>
Deferred charges	-	-	-	-
Capital assets:				
Land	996,638	-	996,638	-
Buildings and system	24,060,383	2,100,892	26,161,275	1,198,966
Improvements other than buildings	28,754,683	145,165	28,899,848	-
Machinery and equipment	23,211,472	8,375,479	31,586,951	6,788,563
Construction in progress	4,874,369	-	4,874,369	-
Less accumulated depreciation	<u>(24,989,144)</u>	<u>(3,555,335)</u>	<u>(28,544,479)</u>	<u>(3,831,165)</u>
Total capital assets (net of accumulated depreciation)	<u>56,908,401</u>	<u>7,066,201</u>	<u>63,974,602</u>	<u>4,156,364</u>
Total noncurrent assets	<u>56,909,921</u>	<u>7,066,201</u>	<u>63,976,122</u>	<u>4,156,364</u>
Total assets	<u>74,560,604</u>	<u>8,012,995</u>	<u>82,573,599</u>	<u>7,693,288</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-

**City of Pullman
Statement of Net Position
Proprietary Funds
December 31, 2014**

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	Utility Current Year	Transit Current Year	Totals	
LIABILITIES				
Current liabilities:				
Accounts payable	135,994	7,379	143,373	115,467
Customer deposits payable	1,720	-	1,720	-
Matured long term debt	-	-	-	-
Accrued wages and benefits	203,659	199,077	402,736	107,884
Unearned Revenues	22,481	-	22,481	-
Accrued interest payable	85,199	-	85,199	-
Other accrued liabilities	-	-	-	-
Long term debt - current portion	1,580,663	-	1,580,663	-
Capital leases payable - current	-	-	-	-
Total current liabilities	<u>2,029,716</u>	<u>206,456</u>	<u>2,236,172</u>	<u>223,351</u>
Noncurrent liabilities:				
Long term debt	6,848,918	-	6,848,918	-
Revenue bonds payable (net of unamortized discounts)	3,423,944	-	3,423,944	-
Capital leases payable	-	-	-	-
Compensated absences	115,933	60,347	176,280	46,905
Due to other governments	-	-	-	-
Total noncurrent liabilities	<u>10,388,795</u>	<u>60,347</u>	<u>10,449,142</u>	<u>46,905</u>
Total liabilities	<u>12,418,511</u>	<u>266,803</u>	<u>12,685,314</u>	<u>270,256</u>
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	-
NET POSITION				
Net investment in capital assets	45,054,876	7,066,201	52,121,077	4,156,364
Restricted for debt service	710,000	-	710,000	-
Unrestricted	16,377,217	679,991	17,057,208	3,266,668
Total net position	<u>\$ 62,142,093</u>	<u>\$ 7,746,192</u>	<u>69,888,285</u>	<u>\$ 7,423,032</u>
			1,540,861	
			<u>\$ 71,429,146</u>	

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net position of business-type activities

The notes to the financial statements are an integral part of this statement.

City of Pullman
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities-Enterprise Funds			Governmental
	Utility	Transit	Totals	Activities- Internal Service Funds
	Current Year	Current Year	Totals	Service Funds
Operating revenues:				
Charges for sales and services				
Water and Sewer sales	\$ 11,132,060	\$ -	\$ 11,132,060	\$ -
Sewer charges pledged as security for revenue bonds	-	-	-	-
Tap fees - unpledged	278,758	-	278,758	-
Transit sales	-	1,933,084	1,933,084	-
Other services	1,099,550	-	1,099,550	3,892,698
Total operating revenues	12,510,368	1,933,084	14,443,452	3,892,698
Operating expenses:				
Costs of sales and services	6,996,236	3,517,880	10,514,116	3,210,202
Administration	-	336,783	336,783	-
Depreciation	1,929,419	495,878	2,425,297	436,166
Total operating expenses	8,925,655	4,350,541	13,276,196	3,646,368
Operating income	3,584,713	(2,417,457)	1,167,256	246,330
Nonoperating revenues (expenses):				
Intergovernmental	269,211	2,512,205	2,781,416	365,690
Investment earnings	39,664	-	39,664	412
Interest expense	(419,251)	-	(419,251)	(345)
Insurance recoveries	3,629	-	3,629	-
Gain (Loss) on sale of fixed assets	988	(39,257)	(38,269)	11,695
Other nonoperating revenues (expenses)	296,654	959	297,613	45,674
Total nonoperating revenue (expenses)	190,895	2,473,907	2,664,802	423,126
Income before contributions and transfers	3,775,608	56,450	3,832,058	669,456
Capital contributions	1,457,420		1,457,420	-
Prior year adjustments	-	-	-	-
Transfers in	-	-	-	53,179
Transfers out	(4,549)	-	(4,549)	-
Change in net position	5,228,479	56,450	5,284,929	722,635
Total net position - beginning	56,913,614	7,689,742		6,700,397
Total net position - ending	\$ 62,142,093	\$ 7,746,192		\$ 7,423,032
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			1,540,861	
Change in net position of business-type activities			\$ 6,825,790	

The notes to the financial statements are an integral part of this statement.

**City of Pullman
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014**

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	<u>Utility Current Year</u>	<u>Transit Current Year</u>	<u>Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 14,614,588	\$ 2,187,341	\$ 16,801,929	
Receipts from interfund services provided	-	-	-	\$ 4,063,578
Payments to suppliers and interfund services	(7,483,241)	(1,539,775)	(9,023,016)	(2,195,074)
Payments to employees	(2,287,858)	(2,332,514)	(4,620,372)	(1,188,157)
Net cash provided (used) by operating activities	<u>4,843,489</u>	<u>(1,684,948)</u>	<u>3,158,541</u>	<u>680,347</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(4,549)	-	(4,549)	53,179
Transfers from other funds	-	-	-	-
Financing available for operating purposes	-	-	-	-
Taxes available for operating purposes	-	1,248,445	1,248,445	-
Proceeds from nonoperating	569,494	1,264,719	1,834,213	411,364
Net cash provided (used) by noncapital and related financing activities	<u>564,945</u>	<u>2,513,164</u>	<u>3,078,109</u>	<u>464,543</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	2,279,696	-	2,279,696	-
Acquisition and construction of capital assets	(2,788,720)	(651,454)	(3,440,174)	(383,015)
Principal paid on capital debt	(792,186)	-	(792,186)	(19,351)
Interest paid on capital debt	(419,251)	-	(419,251)	(345)
Proceeds from sales of capital assets	2,275	20,059	22,334	36,065
Net cash provided (used) by capital and related financing activities	<u>(1,718,186)</u>	<u>(631,395)</u>	<u>(2,349,581)</u>	<u>(366,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	3,000,000	-	3,000,000	-
Purchases of investments	(4,500,410)	-	(4,500,410)	-
Premiums and discounts	8,254	-	8,254	-
Interest and dividends received	39,664	-	39,664	412
Net cash provided (used) by investing activities	<u>(1,452,492)</u>	<u>-</u>	<u>(1,452,492)</u>	<u>412</u>
Net increase in cash and cash equivalents	<u>2,237,756</u>	<u>196,821</u>	<u>2,434,577</u>	<u>778,656</u>
Cash and cash equivalents, January 1	<u>9,523,773</u>	<u>97,042</u>	<u>9,620,815</u>	<u>2,390,547</u>
Cash and cash equivalents, December 31	<u>\$ 11,761,529</u>	<u>\$ 293,863</u>	<u>\$ 12,055,392</u>	<u>\$ 3,169,203</u>

**City of Pullman
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014**

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Utility Current Year</u>	<u>Transit Current Year</u>	<u>Totals</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 3,584,713	\$ (2,417,457)	\$ 1,167,256	\$ 246,330
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,929,419	495,878	2,425,297	436,166
(Increase) decrease in accounts receivable	(69,952)	(354)	(70,306)	-
(Increase) decrease in current receivable	(2,968)	2,104	(864)	(3,221)
(Increase) decrease in intergovernmental receivable	(549,134)	236,725	(312,409)	3,833
(Increase) decrease in interest receivable	2,389	-	2,389	-
(Increase) decrease in inventories	73,871	-	73,871	(6,027)
(Increase) decrease in prepaid items	(4,005)	(364)	(4,369)	(2,539)
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in accounts payable	(151,314)	(16,981)	(168,295)	(10,505)
Increase (decrease) in interest payable	49,728	-	49,728	-
Increase (decrease) in customer deposits	(56,725)	-	(56,725)	(288)
Increase (decrease) in other accrued liabilities	-	-	-	-
Increase (decrease) in advance revenues	(3,824)	-	(3,824)	-
Increase (decrease) in compensated absences payable	10,702	(9,165)	1,537	4,509
Increase (decrease) in intergovernmental payables	-	-	-	-
Increase (decrease) in accrued wages and benefits	30,589	24,666	55,255	12,089
Total adjustments	<u>1,258,776</u>	<u>732,509</u>	<u>1,991,285</u>	<u>434,017</u>
Net cash provided (used) by operating activities	<u>\$ 4,843,489</u>	<u>\$ (1,684,948)</u>	<u>\$ 3,158,541</u>	<u>\$ 680,347</u>

NON-CASH ACTIVITIES:

Assets contributed from developers and customers \$ 1,457,420

The notes to the financial statements are an integral part of this statement.

**City of Pullman
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014**

	Lawson Investment Trust Fund	Airport Agency Fund
ASSETS		
Cash	\$ 7,702	\$ 101,857
Receivables	-	581,815
Interest receivable	17,183	-
Investments, at fair value:		
U.S. Government securities	3,026,090	-
Total investments	3,026,090	-
Total assets	3,050,975	683,672
DEFERRED OUTFLOWS OF RESOURCES	-	-
LIABILITIES		
Accounts payable	-	-
Custodial accounts	-	683,672
Total liabilities	-	683,672
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Held in trust for pension benefits and other purposes	\$ 3,050,975	\$ -

The notes to the financial statements are an integral part of this statement.

City of Pullman
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	Lawson Gardens Investment Trust Fund
ADDITIONS	
Contributions:	
Employer	
Plan members	
Private donations	\$ 2,000
Other sources	-
Total contributions	2,000
Investment earnings:	
Interest	63,420
Net increase (decrease) in the fair value of investments	66,650
Total investment earnings	130,070
Less investment expense	-
Net investment earnings	130,070
Total additions	132,070
DEDUCTIONS	
Distribution of earnings	(73,543)
Prior year refunds of contributions	-
Total deductions	(73,543)
Change in net position	58,527
Net position - beginning	2,992,448
Net position - ending	\$ 3,050,975

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Pullman have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* (GASB #34). This Statement provides for the most significant change in financial reporting in over twenty years and was scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2003 (for Phase 2 governments). As part of the Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). As permitted by GASB #34, the City of Pullman delayed the implementation of the infrastructure reporting requirement to the fiscal year ending in 2007. The City implemented the basic model for fiscal year 2003 and has implemented the infrastructure-related portion for the fiscal year ending 2007. The Financial Statements and the Management Discussion and Analysis include the required infrastructure reporting and related adjustments and entries.

The City of Pullman has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Reporting and Fund Type Definitions*, during 2011. The City's fund balance classification policies and procedures are as follows:

The Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, donors or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the City of Pullman Council (i.e., a resolution or ordinance), the City's highest level of decision-making authority. Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.

Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Informal Council action is authorized to assign unexpended funds.

Unassigned fund balance is the residual classification for the General Fund. Other governmental cannot report a positive unassigned balance but can report a negative unassigned fund if expenditures incurred for specific purposes exceed the amount restricted or committed to those purposes.

For classification of governmental fund balances, the City considers an expenditure to be made from the most restrictive account resource (i.e., restricted, committed, assigned and unassigned in that order) when more than one fund balance classification is available for use.

A. Reporting Entity

The City of Pullman was incorporated on April 11, 1888, and operates under the laws of the state of Washington applicable to a non-charter code City with a mayor-council form of government. As required by the generally accepted accounting principles, the financial statements present the City of Pullman - the primary government.

The Pullman-Moscow Airport provides airport services to the region surrounding the City of Pullman. This activity is neither directly controlled nor dependent upon the City. It is directed by a board of directors composed of representatives from the City of Pullman, Washington State University, the City of Moscow, Idaho and Latah County, Idaho, and derives some financial support from each of these entities and the Port of Whitman. It is not a separate taxing authority. The interlocal agreement establishing this activity directs the City of Pullman to maintain the financial records and reports as required by the laws of the State of Washington. The combined financial statements therefore also include the Pullman-Moscow Airport Agency fund. The Pullman-Moscow Airport also issues its own separate and distinct financial statements.

Blended Component Unit

The elected 7-member council of the City of Pullman serves in an ex-officio capacity as the board of metropolitan park commissioners for the City of Pullman Metropolitan Park District. Although the District is legally separated from the City, the District is reported as if it were part of primary government because its sole purpose is to provide for management, maintenance and improvement of the parks and recreational facilities within the City of Pullman boundaries.

B. Government-Wide and Fund 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 nonfiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements. 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 for support.

The statement of activities demonstrates how the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is 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 of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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. Sales taxes, utility taxes, and other derived tax revenues are accrued in the period in which the underlying exchange transaction occurs. 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. The City considers property taxes and state distributed taxes as available if they are collected within 60 days after year end. 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.

Property taxes, state distributed taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as current fiscal period revenues. 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The accompanying financial statements have reclassifications as compared to prior financial statements. Capital Grants on the Statement of Activities are presented in a separate column when prior financial statements presented them in the operating grants column. There is no effect on the total change in net position.

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 general government, except for those required to be accounted in another fund.

The **Arterial and Street Funds** (presented together as one major fund) are responsible for the maintenance of all city streets, street lighting, and bridges.

The City reports the following major proprietary funds:

The **Utility and Utility Capital Projects Funds** account for all revenues derived from and expenses incurred in the operation and construction of the water and stormwater distribution system. The fund also accounts for all revenue derived from and expenses incurred in the operation and construction of the wastewater treatment plant and the sewer system of the City.

The **Transit Fund** accounts for all revenues derived from and expenses incurred in the operation of the public transit system.

Additionally, the City reports the following fund types:

Internal service funds account for the equipment rental division and information systems management, and government building maintenance provided to other departments of the City on a cost reimbursement basis.

The private purpose trust fund accounts for contributions and donations from private sources to be expended for improvements and maintenance of the Lawson Gardens Park.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's sewer and water functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Utility enterprise fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

1. Scope of Budget

Annual appropriated budgets are adopted for all governmental fund types and for all proprietary funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers broken down by department for all budgeted funds, but the financial statements include budgetary comparisons for only the two major Governmental Funds: General and Arterial/Streets. NCGA Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

Annual appropriated budgets are adopted at the fund level broken down by department, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that 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 monitor expenditures for individual department functions and activities by object class.

Appropriations for general and special revenue funds lapse at year-end.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2. Procedures for Adopting the Original Budget

The City's budget procedures are mandated by RCW 35A.33. The steps in the budget process are as follows:

- a. Prior to November 1 the mayor submits a proposed budget to the city council. This budget is based on priorities established by the council and estimates provided by City departments during preceding months and balanced with revenue estimates made by the Finance Director.
- b. The council conducts public hearings on the proposed budget in November and December.
- c. The council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- d. Within 30 days of adoption, the final budget is available to the public.

3. Amending the Budget

The mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, 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 broken down by department it may do so by ordinance approved by one more than the majority after holding a public hearing.

The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year.

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 applicable for the fiscal year.

4. Excess of Expenditures Over Appropriations

There were no excess of expenditures over appropriations.

E. Assets, Liabilities, Fund Balance and Net Position

1. Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. On December 31, 2014, the finance director was holding \$15,915,345 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents in various funds. The interest on these investments is credited to the General Fund.

For purposes of the statement of cash flows, the city considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Temporary Investments (See Note 4)

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered. (See Note 1-C).

4. Amounts Due to and from Other Funds; Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” A separate schedule of interfund loans receivable and payable is furnished in Note 15.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

5. Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

6. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the LIFO method.

7. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service including current and delinquent special assessments receivable in enterprise funds. The current portion of related liabilities is shown as Payables from Restricted Assets. Specific debt service reserve requirements, if any, are described in Note 10.

The restricted assets of the Governmental funds composed of the following:

Cash and Investments – Temporary Restrictions	\$640,683
Cash and Investments – for Construction	\$ 0
Cash and Investments – Permanent Restriction for Pension obligations (Fund 615)	\$ 0
Total Restricted Assets	\$640,683

The restricted assets of the Proprietary funds are composed of the following:

Cash and Investments – Customer Deposits	\$ 1,520
Total Restricted Assets	\$ 1,520

8. Capital Assets (See Note 6)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Pursuant to GASB Statement No. 34, an extended period of deferral (FY 2007 for Phase 2 governments) was available for the requirement to record and depreciate infrastructure assets acquired before the implementation date. The City fully met this requirement during fiscal year 2007. Significant adjustments have occurred relating to this requirement. This category has become the largest asset class of the City and has historically not been reflected nor a measure of its consumption charged. Infrastructure assets include roads, bridges, traffic signals, sidewalks, etc.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and Improvements	10-60
Infrastructure	40
Light/Heavy Trans. Equip.	5-10
Other Equipment	2-20
Heavy Equipment	10
Water Mains	60
Water Hydrants	50-60
Sewer Interceptors	100

Property, plant and equipment assets within the governmental activity funds except the equipment rental division fund are depreciated for a full year regardless of the month the asset was put in service. Property, plant and equipment assets within the business-type activity funds and the equipment rental division fund are depreciated partial years depending on the month the asset was put in service.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

9. Other Assets and Debits

These accounts reflect future resources needed to retire general long-term debt principal and amounts currently available in debt service or other funds to retire general long-term debt.

10. Custodial Accounts

This account reflects the liability for net monetary assets being held by the City in its trustee or agency capacity.

11. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Vacation pay, which may be accumulated up to 240 hours, is payable upon resignation, retirement or death. Sick leave may accumulate up to 800 hours. Outstanding sick leave is not payable upon resignation, retirement or death.

12. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

13. Long-term Debt (See Note 10)

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

14. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. (See Note 1-C)

15. Other Credits

This account is used to account for gains that will be amortized over succeeding fiscal periods in proprietary funds.

16. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

F. Other

1. Stabilization Arrangements

The City established two stabilization arrangements. The rate stabilization account balance at December 31, 2014 is \$355,000. The debt service reserve account balance at December 31, 2014 is \$355,000. The total \$710,000 is disclosed as restricted debt service on the Statement of Net Position.

Ordinance number 14-3 was approved by Council establishing the debt service reserve account and the rate stabilization account. The debt service reserve account is maintained for the purpose of securing the payment of the principal of and interest on the Parity Bonds. The rate stabilization account is established to stabilize net revenue. The City may at any time deposit into the rate stabilization account amounts from gross revenue and any other money received by the Waterworks Utility and available to be used for that purpose, excluding principal proceeds of any future parity bonds. The City's Treasurer may at any time withdraw money from the rate stabilization account for inclusion in the net revenue for the current fiscal year of the Waterworks Utility, except that the total amount withdrawn from the rate stabilization account in any calendar year may not exceed the total debt service of the Waterworks Utility in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the calendar year for which the deposit or withdrawal will be included as net revenue.

Ordinance number 09-20 was approved by Council establishing the debt service reserve account and the rate stabilization account. The debt service reserve account is maintained for the purpose of securing the payment of the principal of and interest on the Parity Bonds. The rate stabilization account is established to stabilize net revenue. The City may at any time deposit into the rate stabilization account amounts from gross revenue and any other money received by the Waterworks Utility and available to be used for that purpose, excluding principal proceeds of any future parity bonds. The City's Treasurer may at any time withdraw money from the rate stabilization account for inclusion in the net revenue for the current fiscal year of the Waterworks Utility, except that the total amount withdrawn from the rate stabilization account in any calendar year may not exceed the total debt service of the Waterworks Utility in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the calendar year for which the deposit or withdrawal will be included as net revenue.

2. Budgeting, Accounting and Reporting System (BARS)

The State of Washington's Office of State Auditor was granted authority pursuant to the Revised Code of Washington (RCW 43.09.200 and 43.09.230) to prescribe the Budgeting, Accounting and Reporting System (BARS) manual. The purpose of this manual is to provide uniformity in budgeting, accounting and reporting by all local government entities within the State of Washington.

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

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes a reconciliation between fund balance – total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. The reconciliation is as follows:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	\$1,306,230	
Buildings and systems	5,163,305	
Improvements other than buildings	5,815,282	
Machinery and equipment	2,622,968	
Infrastructure	31,378,096	
Construction in progress	854,710	
Accumulated Depreciation	<u>(17,071,301)</u>	<u>\$30,069,290</u>
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Internal service funds total net position	\$7,423,032	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(1,540,861)	
Allowance for doubtful accounts	<u>(66,845)</u>	<u>\$5,815,326</u>
Long term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Compensated absences	\$529,101	
Other employment benefits payable	1,528,898	
Long term debt	815,000	
Capital leases	<u>32,457</u>	<u>\$2,905,456</u>

B. Explanation of Certain Differences between the Governmental Funds 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 a 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.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

INVESTMENTS

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, or certificates of deposit with Washington State banks and savings and loan institutions. All investments are stated at cost plus accrued interest which approximates fair value, as it is the intent of the City to hold all investments until their stated maturities. Also, the interest earned on investments owned by the Cemetery Care Fund is credited to the General Fund, as the operation and maintenance expenditures of the City's cemeteries are included in the General Fund or the Cemetery Expansion Fund for cemetery capital improvements. Other property is shown on the combined balance sheet at cost.

	Fair Value	
	City Owned	
	<u>Investments</u>	<u>Total</u>
Repurchase Agreements	\$ -	\$ -
U.S. Government Securities	5,074,810	5,074,810
Bankers' Acceptances	-	-
WA Municipal Obligations	<u>-</u>	<u>-</u>
TOTAL	<u>\$5,074,810</u>	<u>\$5,074,810</u>

During the period covered by this financial statement, there were no exceptions to the City's investment policy, nor did the City use reverse repurchase agreements. During this period, the City did not use, hold nor sell any derivatives or similar instruments, nor did the City participate in any securities lending transactions. There were no sales of securities at other than maturity or call dates that resulted in realized gains or losses.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. Of the City's total position of \$5,074,810 in investments, \$0 is exposed to custodial credit risk because the investments are held by the City's brokerage firm, which is also the counterparty in those particular securities.

NOTE 5 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar

- January 1 Taxes are levied and become an enforceable lien against properties.
- February 14 Tax bills are mailed.
- April 30 First of two equal installment payments is due.
- May 31 Assessed value of property established for next year's levy at 100 percent of market value.
- October 31 Second installment is due.

Property taxes 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.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The Washington State Constitution and Washington State law in RCW 84.55.010 limit the levy rate.

For 2014 the City levied the following property taxes on an assessed value of \$1,514,893,689 (The special levies identified in the table were approved by the voters and are not subject to the limitations listed above.)

<u>Purpose of Levy</u>	<u>Levy Rate per \$1,000</u>	<u>Total Levy Amount</u>
General Government	\$ 3.6000	\$5,453,617
EMS Levy	0.5000	757,447
Special G.O. Bond Levy	<u>0.1880</u>	<u>283,900</u>
TOTALS	<u>\$ 4.2880</u>	<u>\$6,494,964</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets as of December 31, 2014 follows:

	<u>Balance</u> <u>1/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2014</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$1,306,230	\$ -	\$ -	\$1,306,230
Construction In Progress	<u>838,396</u>	<u>2,122,651</u>	<u>2,106,337</u>	<u>854,710</u>
Total Capital Assets, Not Being Depreciated:	<u>2,144,626</u>	<u>2,122,651</u>	<u>2,106,337</u>	<u>2,160,940</u>
Capital Assets, Being Depreciated:				
Buildings	6,362,271	-	-	6,362,271
Other Improvements	5,619,850	195,432	-	5,815,282
Machinery and Equipment	8,647,000	1,038,473	273,942	9,411,531
Infrastructure	<u>30,122,651</u>	<u>1,255,445</u>	<u>-</u>	<u>31,378,096</u>
Total Capital Assets, Being Depreciated:	<u>50,751,772</u>	<u>2,489,350</u>	<u>273,942</u>	<u>52,967,180</u>
Less Accumulated Depreciation For:				
Buildings	(3,177,261)	(136,993)	-	(3,314,254)
Other Improvements	(2,060,872)	(202,618)	-	(2,263,490)
Machinery and Equipment	(5,551,872)	(627,549)	(267,412)	(5,912,009)
Infrastructure	<u>(8,628,476)</u>	<u>(784,237)</u>	<u>-</u>	<u>(9,412,713)</u>
Total Accumulated Depreciation	<u>(19,418,481)</u>	<u>(1,751,397)</u>	<u>(267,412)</u>	<u>(20,902,466)</u>
Total Capital Assets, Being Depreciated, Net:	<u>31,333,291</u>	<u>737,953</u>	<u>6,530</u>	<u>32,064,714</u>
Governmental Activities Capital Assets, Net:	<u>\$33,477,917</u>	<u>\$2,860,604</u>	<u>\$2,112,867</u>	<u>\$34,225,654</u>

	<u>Balance 1/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2014</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$996,638	\$ -	\$ -	\$996,638
Construction In Progress	<u>11,639,952</u>	<u>4,246,141</u>	<u>11,011,724</u>	<u>4,874,369</u>
Total Capital Assets, Not Being Depreciated:	<u>12,636,590</u>	<u>4,246,141</u>	<u>11,011,724</u>	<u>5,871,007</u>
Capital Assets, Being Depreciated:				
Plant in Service **	<u>75,432,904</u>	<u>11,663,177</u>	<u>448,007</u>	<u>86,648,074</u>
Total Capital Assets, Being Depreciated:	<u>75,432,904</u>	<u>11,663,177</u>	<u>448,007</u>	<u>86,648,074</u>
Less Accumulated Depreciation For:				
Plant in Service **	<u>(26,506,586)</u>	<u>(2,425,297)</u>	<u>(387,404)</u>	<u>(28,544,479)</u>
Total Accumulated Depreciation	<u>(26,506,586)</u>	<u>(2,425,297)</u>	<u>(387,404)</u>	<u>(28,544,479)</u>
Total Capital Assets, Being Depreciated, Net:	<u>48,926,318</u>	<u>9,237,880</u>	<u>60,603</u>	<u>58,103,595</u>
Business-Type Activities Capital Assets, Net:	<u>\$61,562,908</u>	<u>\$13,484,021</u>	<u>\$11,072,327</u>	<u>\$63,974,602</u>
Governmental Activities:				
General Government		561,823		
Safety		194,458		
Transportation		787,316		
Culture and Recreation		<u>207,800</u>		
Total Depreciation – Governmental Activities		<u>\$1,751,397</u>		
Business-Type Activities:				
Water and Sewer		\$1,888,124		
Stormwater		41,295		
Transit		<u>495,878</u>		
Total Depreciation – Business-Type Activities		<u>\$2,425,297</u>		

****The caption, Plant in Service, consists of Buildings and system, Improvements other than buildings and Machinery and equipment.**

NOTE 7 - PENSION PLANS

Substantially all City of Pullman 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 defined benefit public employee retirement plans. 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 from the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers*, and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

A. Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 55 with 25 years of service, or at the age of 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65. PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013: with a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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. PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 2,241 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date available for the plans at June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	107,073
Active Plan Members Non-vested	43,633
Total	267,081

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contribution finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2014, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer	9.21%*	9.21%*	9.21%*
Employee	6.00%	4.92%	5% to 15%

*The employer rates include the employer administrative expense fee currently set at 0.18%

Both the City of Pullman and the employees made the required contributions. The City of Pullman's required contributions for the years ended December 31, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	\$34,757	\$556,804	\$96,542
2013	\$27,917	\$460,016	\$82,027
2012	\$32,880	\$388,292	\$70,712
2011	\$27,956	\$321,304	\$53,470

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, of if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 414 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date available for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	699
Active Plan Members Vested	14,532
Active Plan Members Non-vested	2,298
Total	28,040

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer	0.18*	5.23%*
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%

Both the City of Pullman and the employees made the required contributions. The City of Pullman's required contributions for the years ended December 31 were:

	LEOFF Plan 1	LEOFF Plan 2
2014	\$133	\$251,913
2013	\$122	\$243,949
2012	\$110	\$240,090
2011	\$259	\$233,596

C. Other Retirement Systems - Volunteer Fire Fighters' Relief and Pension Fund

The Volunteer Fire Fighters' Relief and Pension Fund is a cost-sharing multiple-employer retirement system that was created by the Legislature in 1945 under Chapter 41.16 RCW. It provides pension, disability, and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of monies by the Washington State Investment Board. However, members may elect to withdraw their contribution upon termination.

D. Other Local Government Pension Systems - Firemen's Pension Fund

The City is also the administrator of a pension retirement system called the Firemen's Pension Fund. This system is shown as a trust fund in the financial reports of the City.

As of December 31, 2014, there were a total of one individual covered by this system, of whom is still employed.

The most recent actuarial study of the system was done by Milliman & Robertson, Inc. to determine the funding requirements as of January 1, 2002. As of this date, the value of assets valued at market was \$339,000 and the actuarial present value of future benefits was \$144,000, leaving an unfunded pension benefit obligation of \$0.

Since 1975 the City has not had any actuarially determined unfunded pension obligation under the Firemen's Pension Fund.

NOTE 8 - RISK MANAGEMENT

The city of Pullman is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local 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 175 Members.

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 sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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 Pullman separately purchases commercial standard property insurance coverage for building and personal property; automobile physical damage, inland marine. Boiler and machinery coverage is also purchased. Various deductibles apply by type of coverage.

There were no significant reductions in insurance coverage from the previous year. The settlements have not exceeded coverage for each of the past three fiscal years.

No insurance settlements have exceeded insurance coverage in 2014 or either of the two preceding fiscal years.

NOTE 9 - SHORT-TERM DEBT

The City had no short-term debt.

NOTE 10 - LONG-TERM DEBT

A. Long-Term Debt

The City issues general obligation and revenue bonds to finance the acquisition or construction of major capital assets. Bonded indebtedness has also been entered into in prior years to advance refund general obligation and revenue bonds. General obligation bonds have been issued for general government and business-type activities and are being repaid from the applicable resources. Revenue bonds are repaid by proprietary fund revenues. The City is also liable for State of Washington Public Works Trust Fund Loans that were entered into for the purchase of infrastructure improvements and a State of Washington Local Option Capital Asset Lending Program loan for the purchase of fire equipment. These notes are considered obligations of the general government, and are being repaid, with general governmental or proprietary fund revenues, as appropriate.

In proprietary and similar trust funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

DEBT
OUTSTANDING
December 31, 2014

General Obligation Bonds and Notes:

2005: \$300,000 G.O. Bonds, maturing serially to 2015; interest rates from 3.25 percent to 4.20 percent; Financed by property tax levy to construct Wawawai Pedestrian Path and road improvement on Terre View Drive.	35,000
2007: \$2,240,000 General Obligation Bonds maturing serially to 2017; interest rates from 4.00 percent to 5.00 percent; approved by voters as Proposition No. 1 on November 7, 2006 for parks, paths, and pedestrian improvements.	780,000

Revenue Bonds and Loans:

2009:\$2,685,000 Water and Sewer Revenue Bond; annual installments until 2029 at various rates between 3.00 and 4.75 percent; proceeds for construction of Airport Water Line/Well. Repayments from water/sewer revenues.	2,180,000
2005: \$697,543 State of Washington Public Works Trust Fund Loan; annual installments until 2015 at 0.50 percent; proceeds for design of wastewater treatment plant digester. Repayment from water/sewer revenues.	77,505
2005: \$1,816,400 State of Washington Public Works Trust Fund Loan; annual installments until 2015 at 0.50 percent; proceeds for construction of wastewater treatment plant digester. Repayment from water/sewer revenues.	237,672

2005: \$595,000 State of Washington Public Works Trust Fund Loan; annual installments until 2015 at 0.50 percent; proceeds for construction of Water Well #8. Repayment from water/sewer revenues. 135,764

2006: \$1,776,500 State of Washington Public Works Trust Fund Loan; annual installments until 2016 at 0.50 percent; proceeds for construction of wastewater treatment plant digester. Repayment from water/sewer revenues. 421,492

2012: \$7,301,092 State of Washington Department of Ecology Water Pollution Control Revolving Fund Loan; annual installments start September 2015 until 2024 at 2.60%; proceeds for secondary process improvements project. Repayment from water/sewer revenues. 7,301,092

2014: \$1,674,000 Columbia State Bank Water and Sewer Revenue Bond; semi-annual installments start June 2015 until December 2023 at 3.24%; proceeds for improvements to the waterworks utility project. Repayment from water/sewer revenues. 1,500,000

At December 31, 2014, the City has \$0 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$0 in sinking funds and \$710,000 reserves as required by bond indentures.

The annual debt service requirements to maturity for all long-term debt including Capital Leases are as follows:

Year Ending	Governmental Activities		Business-Type Activities		
	<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015		\$317,457	\$36,642	\$1,580,663	\$356,485
2016		260,000	23,900	1,178,643	300,956
2017		270,000	13,500	1,001,428	272,797
2018		-	-	1,025,609	244,115
2019		-	-	1,060,459	214,466
2020-2024		-	-	5,126,723	595,487
2025-2029		-	-	880,000	127,960
2030-2034		-	-	-	-
TOTALS		<u>\$847,457</u>	<u>\$74,042</u>	<u>\$11,853,525</u>	<u>\$2,112,266</u>

NOTE 11 - LEASES

A. Capital Leases

The City had two capital leases. Narrow Band radios were leased for Fire, matures 2015. Narrow Band radios were leased for Police, matures 2015.

The annual Payment requirements for all Capital Leases are as follows:

Year Ending				
<u>December 31</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2014				\$32,457
2015	<u>\$33,729</u>	<u>\$32,457</u>	<u>\$1,272</u>	\$(0)
TOTALS	<u>\$33,729</u>	<u>\$32,457</u>	<u>\$1,272</u>	

The assets had a cost net of depreciation of \$35,850 at December 31, 2014 and are included in the Machinery and Equipment category of Capital Assets.

NOTE 12 - CHANGES TO LONG-TERM LIABILITIES

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	<u>Balance 1/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$1,090,000	\$ -	\$275,000	\$815,000	\$285,000
Special Assessment Debt	-	-	-	-	-
Government, Bank, and Other Loans	19,351	-	19,351	-	-
Capital Leases	63,689	-	31,232	32,457	32,457
Claims and Judgments	-	-	-	-	-
Pension/OPEB obligations	1,186,565	485,781	143,448	1,528,898	143,119
Compensated Absences	<u>548,885</u>	<u>30,050</u>	<u>2,928</u>	<u>576,007</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$2,908,490</u>	<u>\$515,831</u>	<u>\$471,959</u>	<u>\$2,952,362</u>	<u>\$460,576</u>
Business-Type Activities:					
Bonds:					
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	2,290,000	1,500,000	110,000	3,680,000	256,056
Less Deferred amounts:					
For Issuance Premiums (Discounts)	-	-	-	-	-
Special Assessment Debt	-	-	-	-	-
Government, Bank, and Other Loans	8,594,976	260,735	682,186	8,173,525	1,324,607
Capital Leases	-	-	-	-	-
Claims and Judgments	-	-	-	-	-
Pension/OPEB obligations	-	-	-	-	-
Compensated Absences	<u>174,743</u>	<u>10,702</u>	<u>9,165</u>	<u>176,280</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$11,059,719</u>	<u>\$1,771,437</u>	<u>\$801,351</u>	<u>\$12,029,805</u>	<u>\$1,580,663</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$46,905 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 13 - CONTINGENCIES AND LITIGATION

The City has recorded in its financial statements all material liabilities, including any estimates for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, insurance policies are adequate to pay all known or pending claims except the claim described below.

The City participates in a number of federal-and state-assisted programs. These grants are subject to audit by the grantors 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 believes that such disallowances, if any, will be immaterial.

On July 22, 2014, resolution R-70-14 was passed by Council authorizing the execution of a Joint Operating Agreement for the Pullman-Moscow Regional Airport. The agreement solidifies Pullman and Moscow as equal and joint partners in the operation of the airport, with all related rights and responsibilities, including financial. Approval and execution of the agreement by both Pullman and Moscow will qualify the Pullman-Moscow Regional Airport for Federal Aviation Administration (FAA) grants. The Pullman-Moscow Regional Airport is requesting a FAA grant for the runway re-alignment, which will require an estimated local matching fund of \$6,250,000. As of December 31, 2014, the City of Pullman is committed to their one-half share of approximately \$3,125,000 over the next six years to provide for grant match funds. This exposure is expected to be reduced by fundraising efforts. As of December 31, 2014, the City of Pullman assigned \$600,000 for this commitment, as disclosed in assigned fund balance in the General Fund on the Governmental Funds Balance Sheet.

On Jan 4th, 2010 the City as well as several other cities in Washington received a Petition for Refund, from Verizon Northwest dated December 31, 2009, in the amount of \$187,250 for utility taxes paid on DSL service from January 1, 2005 through June 30, 2008. There were no supporting documents for the refund amount. No suit has been filed. Management feels that the claim is not substantiated, and thus there is no way at present to determine the validity or dollar amount of a potential refund. If the claimant's petition is successful, 50% of the claim would be charged to the General Fund, with the remaining amount evenly split between the Street and Transit Funds. Due to the uncertainty, validity and dollar amount of any potential judgment in favor of the Petitioner, there have been no adjustments made to the records of these funds.

On November 15, 2010 the City received a request for refund of internet access charges from AT&T Mobility on behalf of Cingular Wireless. The DVD sent with the request showed an amount owing of \$107,243. A review of the zip codes reduced this amount down to \$85,280. However, the claim period could exceed statute of limitations. As such there was no way to determine the dollar amount. Management feels that the claim is not substantiated, and thus there is no way at present to determine the validity or dollar amount of a potential refund. If the claimant's petition is successful, 50% of the claim would be charged to the General Fund, with the remaining amount evenly split between the Street and Transit Funds. Due to the uncertainty, validity and dollar amount of any potential judgment in favor of the Petitioner, there have been no adjustments made to the records of these funds. On April 26, 2012 suit was filed by AT&T against Pullman and 121 other Washington cities. As of April 25, 2014 the case is waiting an expedited hearing before the Court of Appeals, Division 1. A decision from that court is expected this summer. Pending their ruling, decisions will be made as to how to proceed with the case.

On November 22, 2010 individual claims totaling \$2,500,000 were filed with the city by seven employees alleging employment discrimination, retaliation, various tort claims and civil rights violations. Subsequently, the suit has been filed in Federal Court, and the city served on June 28, 2011. The jury awarded \$1,000,800 to the plaintiffs at trial on April 2, 2013. The plaintiffs have appealed the granting of summary judgment that dismissed all their claims but two. They also requested lawyer fees and costs amounting to \$158,000. The City filed a renewed judgment as a matter of law, which was granted, setting aside the jury award. The plaintiffs appealed and the case is pending before a panel of the Ninth Circuit Court of Appeals. Management feels the claims are unsubstantiated. All the City's costs and any judgment will be covered by insurance.

In July 2013 Mr. Anderson filed a suit for claims of \$1.7 million. In late 2011, the plaintiff was riding a bicycle under snowy/icy conditions, lost traction and slipped under a City of Pullman Transit bus as it was leaving a stop on the Washington State University campus. The plaintiff received extensive injuries. As of the end of April 2014, depositions have been held and we are waiting on a demand letter. The claim is covered by liability insurance through the Washington State Transit Insurance Pool in an amount far in excess of the claim. Management feels that any settlement, if any, will be in an amount far less than what was claimed. A trial in Supreme Court is scheduled for June 2015.

On January 7, 2013 C.J. Reid filed a civil suit alleging violation of the state public records act seeking monetary damages in the form of attorney fees and costs. On February 5, 2014 the court granted summary judgment on all claims in favor of the City. Plaintiff has appealed to Division 3, Court of Appeals. Management feels the claims are unsubstantiated. Due to the uncertainty of litigation, validity and dollar amount of any potential judgment in favor of plaintiff, there have been no adjustments made to the records of City funds. The claim is not covered by insurance.

NOTE 14 - RESTRICTED COMPONENT OF NET POSITION

These resources are set aside for specific uses and/or are restricted by law for specific purposes. The government-wide statement of net position reports \$4,947,402 of restricted component of net position, \$1,518,927 for highway and streets, \$2,081,906 for culture and recreation, \$900 for public safety, \$710,000 for debt service, \$262,069 for nonexpendable cemetery perpetual care, and \$373,600 for other purposes.

NOTE 15 - INTERFUND BALANCES AND TRANSFERS

A. Classification of Interfund Transactions

Interfund transactions are classified as follows:

1. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City.
2. Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses."

3. Contributions to the capital to enterprise or internal service funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as residual equity transfers and reported as direct additions to or deductions from fund equity.
4. Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds on the combined balance sheet depending on the time period for which the loan was made. Interfund loans do not affect total fund equity, but advances to other funds are offset by a reservation of fund equity.

The following table displays interfund balances at December 31, 2014:

Fund Type	Due From Other Funds	Due To Other Funds	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$1,681	\$ -	\$ -	\$ -
Street	-	-	-	-
Other Gov't Funds	-	-	-	-
Internal Service	-	-	-	-
Agency	-	-	-	-
Fiduciary	-	-	-	-
Proprietary	-	-	-	-
Totals	<u>\$1,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table displays interfund activity during 2014:

Fund Type	Operating Transfers		Residual Equity Transfers	
	<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$(213,194)	\$ -	\$ -
Street	100,000	(38,205)	-	-
Other Gov't Funds	108,448	(243)	-	-
Internal Service	53,179	-	-	-
Agency	-	-	-	-
Fiduciary	-	-	-	-
Proprietary	-	(4,549)	-	-
Totals	<u>\$261,627</u>	<u>\$(256,191)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 16 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2014 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	Due from Other Government Funds	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General Fund	\$451,064	\$233,022	\$261,553	\$264,510	\$1,210,149
Street Fund	86,211	-	6,857	-	93,068
Other Governmental Funds	36	40,371	7,203	-	47,610
Internal Service Funds	-	-	-	17,511	17,511
Doubtful Accounts	<u>(66,845)</u>	-	-	-	<u>(66,845)</u>
Total					
Governmental Activities	<u>\$470,466</u>	<u>\$273,393</u>	<u>\$275,613</u>	<u>\$282,021</u>	<u>\$1,301,493</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:					
Utility Fund	\$809,770	\$ -	\$1,375,486	\$14,276	\$2,199,532
Transit Fund	<u>354</u>	<u>-</u>	<u>563,000</u>	<u>86,212</u>	<u>649,566</u>
Total					
Business-Type Activities	<u>\$810,124</u>	<u>\$ -</u>	<u>\$1,938,486</u>	<u>\$100,488</u>	<u>\$2,849,098</u>

B. Payables

Payables at December 31, 2014 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$117,973	\$895,429	\$491,810	\$1,505,212
Street Fund	55,059	25,882	348,172	429,113
Other Governmental Funds	23,303	4,926	-	298,485
Internal Service Funds	115,467	154,789	-	298,485
Reconciliation of balances in fund financial statements to government- wide financial statements:				
Compensated absences	<u> -</u>	<u>529,102</u>	<u> -</u>	<u>529,102</u>
Total Governmental Activities	<u>\$311,802</u>	<u>\$1,610,128</u>	<u>\$839,982</u>	<u>\$2,761,912</u>
Business-Type Activities:				
Utility Fund	\$135,994	\$319,592	\$85,199	\$540,785
Transit Fund	<u>7,379</u>	<u>259,424</u>	<u> -</u>	<u>266,803</u>
Total Business-Type Activities	<u>\$143,373</u>	<u>\$579,016</u>	<u>\$85,199</u>	<u>\$807,588</u>

NOTE 17 - OTHER POSTEMPLOYMENT BENEFIT (OPEB)

The City adopted the requirements of GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2008. Following accrual accounting principles, the City recognizes the cost of postemployment healthcare in the year the when the employee services are received, reports the accumulated liability from prior years, and provides information to determine future demands on future cashflows.

We used the alternative measurement method permitted under GASB Statement No.45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF 1 rates used in June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Health costs and trends were determined by Milliman and used by the OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial valuation cost method used to determine AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purpose of this valuation.

A. Plan/Trust Description

The City of Pullman Firemen Pension Fund is a single-employer defined benefit pension fund established and administered by the City in accordance with RCW 41.16.

Other postemployment benefit plans provide lifetime medical benefits to all firefighters and uniformed police officers who were hired prior to October 1, 1977 (RCW 41.26).

There is 1 active firefighter covered under these plans as of December 31, 2014. There are 15 retirees receiving benefits from the plans.

The City is a participating employer in the Association of Washington Cities Employee Benefit Trust (Trust), a cost sharing multiple employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of participating employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and requires supplementary information for the Trust. That report, along with a copy of the Trust document, may be obtained by writing to the Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

B. Funding Policy

The City is obligated by the Revised Code of Washington to make all required contributions to the plans. The major funding sources for these plans are property taxes, retail sales and use tax, investment earnings, and the State fire insurance premium tax. These benefits are funded on a pay-as-you-go basis through the General Fund. The City does not have a funding policy and there are no assets designated for the benefits. Employees are not required to make contributions to the plans.

The Association of Washington Cities Employee Benefit Trust provides that contribution requirements of participating employers 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 \$2,145.90 per month for non-Medicare enrolled retiree-only coverage and \$1,002.24 for Medicare enrolled retiree. Police retirees of the City receiving medical benefits from the Trust contribute \$1,572.98 per month for non-Medicare enrolled retiree-only coverage and \$513.24 for Medicare enrolled retiree. Fire retirees of the City receiving medical benefits from the Trust contribute \$572.92 per month for non-Medicare enrolled retiree-only coverage and \$489.00 for Medicare enrolled retiree.

C. OPEB Cost and Obligation

The City reimbursed a fixed amount of \$104.90 per month in 2014 for a Medicare supplement for 14 retirees eligible for Medicare.

Employer validated claims for medical and hospitalization reimbursements are financed on a pay-as-you-go basis. Expenditures for postretirement health care benefits are recognized as retirees report claims. The City also carries nursing-home coverage on all active and retired LEOFF 1 employees. During 2014, expenditures of \$143,448 were recognized for postretirement health care. At December 31, 2014, annual required contribution (ARC) is \$545,040 and the adjustment to ARC is \$(21,002).

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the years ended December 31, were:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$485,781	29.5%	\$1,528,898
2013	\$524,460	32.5%	\$1,186,565
2012	\$411,225	64.3%	\$832,614

D. Funded Status

Funded Status

Validation Date	<u>OPEB Plan</u> December 31, 2014
Actuarial Value of Assets	\$ -
Actuarial Accrued Liability (AAL)	\$ 5,953,920
Unfunded Actuarial Unfunded Actuarial (UAAL)	\$ 5,953,920
Funded Ratio	0.00%
Covered Payroll	N/A
UAAL - Percentage of Covered Payroll	N/A

Actuarial Methods and Assumptions

Validation Date	<u>OPEB Plan</u> December 31, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A

See the Schedule of Funding Progress.

NOTE 18 – HEALTH & WELFARE

The City of Pullman 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 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, 2014, 263 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 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. 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 the AWC Board of Directors President and Vice President. 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 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.

NOTE 19 - OTHER DISCLOSURES

A. Major Receivables

Washington State University is a major user of the City's wastewater treatment facilities. Through an amended interlocal agreement, it reimburses the City for 36.4 percent of the facility maintenance and operating expenses.

B. Accounting and Reporting Changes

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ending 2008 (See Note 17).

CITY OF PULLMAN, WASHINGTON
Other Post Employment Benefits

Required Supplementary Information
LEOFF 1 Retiree Medical Benefits
Schedule of Funding Progress

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2014	\$ -	\$5,953,920	\$5,953,920	0%	\$ -	0%
12/31/2013	\$ -	\$6,165,530	\$6,165,530	0%	\$ -	0%
12/31/2012	\$ -	\$4,670,149	\$4,670,149	0%	\$ -	0%
12/31/2011	\$ -	\$5,009,851	\$5,009,851	0%	\$ -	0%
12/31/2010	\$ -	\$4,092,490	\$4,092,490	0%	\$ -	0%
12/31/2009	\$ -	\$4,924,307	\$4,924,307	0%	\$ -	0%
12/31/2008	\$ -	\$4,924,307	\$4,924,307	0%	\$ -	0%
12/31/2007	\$ -	\$ -	\$ -	0%	\$ -	0%
12/31/2006	\$ -	\$ -	\$ -	0%	\$ -	0%
12/31/2005	\$ -	\$ -	\$ -	0%	\$ -	0%
12/31/2004	\$ -	\$ -	\$ -	0%	\$ -	0%

City of Pullman
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Note
				From Pass- Through Awards	From Direct Awards			
National Park Service, Department Of The Interior (via Washington State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY14-61014- 006	8,993	-	8,993		
Violence Against Women Office, Department Of Justice (via Washington State University)	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	2011-WA-AX- 0009	2,446	-	2,446		
Violence Against Women Office, Department Of Justice (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	2013-WF-AX- 0055	3,667	-	3,667		
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	BVP	-	6,051	6,051		
JAG Program Cluster								
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DB-BX- 0015	-	52,647	52,647		
	Total JAG Program Cluster:			-	52,647	52,647		
Airport Improvement Program								
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0051-36	-	24,449	24,449		
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0051-37	-	738,556	738,556		
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0051-38	-	1,407,833	1,407,833		

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Total	Note
				From Pass- Through Awards	From Direct Awards		
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0051-39	-	157,320	157,320	
Federal Aviation Administration (faa), Department Of Transportation	Airport Improvement Program	20.106	3-53-0051-40	-	540,739	540,739	
Highway Planning and Construction Cluster			Total CFDA 20.106:	-	2,868,897	2,868,897	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUS- 7407(004)	1,005,840	-	1,005,840	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-0027(015)	10,142	-	10,142	
Total Highway Planning and Construction Cluster:				1,015,982	-	1,015,982	
Federal Transit Administration (fta), Department Of Transportation (via Washington State Department of Transportation)	Federal Transit Capital Investment Grants	20.500	GCB1228-02	529,373	-	529,373	
Total Federal Transit Cluster:				529,373	-	529,373	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Note
				From Pass- Through Awards	From Direct Awards			
Federal Transit Administration (fta), Department Of Transportation (via Washington State Department of Transportation)	Formula Grants for Rural Areas	20.509	GCB1629	604,524	-	604,524		
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Target Zero- Impaired Driving	1,803	-	1,803		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Target Zero- Impaired Driving	1,562	-	1,562		
		Total CFDA 20.600:		3,365	-	3,365		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	Occupant Protection Incentive Grants	20.602	Target Zero- Seat Belts	577	-	577		
		Total Highway Safety Cluster:		3,942	-	3,942		
Clean Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1200011	217,271	-	217,271		
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2012-FO- 06497	-	68,524	68,524		
		Total Clean Water State Revolving Fund Cluster:		217,271	-	217,271		
		Total Federal Awards Expended:		2,386,198	2,996,119	5,382,317		

City of Pullman

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1: BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statement. The City uses the accrual basis of accounting.

Note 2: PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs, including the City's portion, may be more than shown.

Note 3: FEDERAL AVIATION ADMINISTRATION GRANTS

The City is the primary recipient of all Federal Aviation Administration grants (CFDA 20.106) for its sub recipient, the Pullman-Moscow Regional Airport. As the primary recipient, the City monitors the activities of the sub recipient in accordance with OMB Circular A-133. All other compliance requirements and specific grant terms are tested at the sub recipient level and, as such, are not included in the single audit reports of the City.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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Toll-free Citizen Hotline	(866) 902-3900
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