



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Pullman

For the period January 1, 2020 through December 31, 2020

Published March 14, 2024

Report No. 1034400



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

March 14, 2024

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Pullman January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Pullman are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

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 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, with the exception of 21.019 – COVID-19 – Coronavirus Relief Fund on which we issued a qualified opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.106	COVID-19 – Airport Improvement Program
20.106	Airport Improvement Program
20.509	COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program
20.509	Formula Grants for Rural Areas and Tribal Transit Program
21.019	COVID-19 – Coronavirus Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2020-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Pullman January 1, 2020 through December 31, 2020.

2020-001 The City's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.

Assistance Listing Number and Title:	21.019 – COVID-19 – Coronavirus Relief Fund
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	20-6541C-293
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The purpose of the Coronavirus Relief Fund program is to provide payments to state, territorial, tribal and certain eligible local governments to cover necessary expenditures incurred because of the COVID-19 pandemic. During 2020, the City spent \$1,555,200 in program funds. The City passed through \$444,000 of its award from the Washington State Department of Commerce to a subrecipient to administer COVID-19 assistance programs to the City's small businesses and residents.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Whenever the City passes on federal funding to subrecipients, federal regulations require the City to clearly identify the subawards as federal awards and include all applicable program requirements. Further, the City must monitor its subrecipients to ensure they comply with the terms and conditions of the federal award.

To determine the appropriate level of monitoring, the City must evaluate each subrecipient's risk of noncompliance with federal requirements. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

Description of Condition

The City provided funds to one subrecipient to administer COVID-19 assistance programs to City residents and businesses. Our audit found the City did not perform a risk assessment for the subaward and did not sufficiently monitor the subrecipient, as federal regulations require.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

With the effects of COVID-19, it was urgent for the City to disburse funds to the subrecipient quickly in order to assist with public health needs and provide rental assistance and other services. City staff responsible for managing the federal program were not aware of the requirements to perform a risk assessment specific to the subaward, nor did they know about the requirements for subrecipient monitoring for awards dependent on participant eligibility.

Effect of Condition

The City did not complete a risk assessment for the subaward. Without conducting a risk assessment, the City risks not adequately monitoring its subrecipient to ensure it complies with program requirements and uses federal funds appropriately.

Since the City did not monitor its subrecipient, there was no way for it to confirm the assistance was paid to eligible recipients.

Recommendation

We recommend the City perform sufficient risk assessments over its subrecipients and monitor them accordingly to verify they are complying with the terms and conditions of the award and only providing funds to eligible participants.

City's Response

In order to promptly and efficiently distribute funds to local business in critical need of support, the City worked with a non-profit subrecipient that had a long history of properly managing grants and awards.

The City's process for evaluating the Subrecipient's risk for noncompliance and monitoring included the following actions:

- The Subrecipient was determined to have experience with the same or similar awards as demonstrated by active agreements other local government entities for management of the same COVID-19 awards. Evaluation included discussion with other PTE's including Whitman County and a review of contract requirements and processes that were provided related to an existing agreement with Asotin County.*
- Review of the history and firsthand knowledge that the Subrecipient demonstrated a consistent structure with staffing and systems including confirmation of the organization's 35+ years of managing both state and federal grant funds in the region. For decades, including at this time, a member of the Pullman City Council served on the Board of Director for the Subrecipient and was familiar with the operations, risks, and history of the organization.*
- In addition to confirmation of the Subrecipient's work administering the same subaward for other agencies, the City confirmed that the Subrecipient had a long track record of properly monitoring federal awards.*

During the establishment of the Subrecipient Agreement between the City and Subrecipient, processes were established to ensure the ability to monitor Subrecipient activities and ensure compliance with the terms and conditions of the subawards as required. These monitoring factors were addressed through the following actions:

- The agreement established between the City and Subrecipient outlines the expectations and requirements including the Subrecipient's requirement and requirements of the award. These requirements for Subrecipient included providing all information to the City and/or State Auditor's Office.*
- As required by agreement, the Subrecipient supplied the City details of amounts, awardees, and fund use details for review prior to funds being distributed. 100% of subrecipient awards to individual businesses were reviewed by City staff for appropriateness and compliance prior to submitting for reimbursement and prior to payment of the funds to the Subrecipient.*

- *The City was directly involved in the distribution of funds from the subrecipient to individual businesses receiving the funds.*

The City selected a long-standing regional non-profit that had already been confirmed by several other local entities as the best option to manage these subrecipient funds. Selecting this Subrecipient allowed the funds to be promptly and efficiently distributed to those businesses that were in desperate need of support due to the negative economic impacts caused by the worldwide pandemic of COVID-19. Prior to the distribution of any monies, risk factors were evaluated by the City and the award process was monitored and reviewed. All funds were appropriately and efficiently distributed in a manner consistent with compliance requirements, eligibility requirements, and resulted in no question in amount or use of any of the funds. All funds were properly accounted, and no monies were missing in the process.

Auditor's Remarks

It's incumbent upon the City to document a formal risk assessment of subrecipients to meet their federal requirements. During our audit we requested all documentation from the City for any risk assessments completed; however, the City informed us that they had not completed a formal, documented risk assessment. Without a documented assessment, the City cannot demonstrate it complied with federal requirements. We reaffirm our finding and will review the status of these issues during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes subrecipient monitoring and management requirements for pass-through entities.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Pullman January 1, 2019 through December 31, 2020

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2019 – December 31, 2019	Report Ref. No.: 1032109	Finding Ref. No.: 2019-001
Finding Caption: The City's controls over preparing and reviewing financial statements were insufficient for ensuring the statements were accurate, consistent with the underlying accounting records, and submitted for audit by the statutory deadline.		
Background: City officials, state and federal agencies, and the public rely on the information in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that ensure the City's financial statements, notes to the financial statements, and supplementary schedules are accurate, and to provide reasonable assurance regarding the reliability of financial reporting. The City prepares its financial statements, notes and supplementary schedules in accordance with the cash basis accounting method prescribed in the State Auditor's Office's Budgeting, Accounting and Reporting System (BARS) Manual. Our audit identified deficiencies in the City's internal controls over financial reporting that hindered its ability to produce reliable financial statements.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Partially Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid </div> </div>		
Corrective Action Taken: <i>The City has worked to provide appropriate staffing levels and training for staff that ensure meeting timelines and adequate preparation of financial statements.</i> <i>In September of 2023 the City replaced its legacy software with a modern platform that will improve cash reporting functions.</i>		

INDEPENDENT AUDITOR'S REPORT

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 January 1, 2020 through December 31, 2020

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 City of Pullman, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 5, 2024.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Pullman January 1, 2020 through December 31, 2020

Mayor and City Council
City of Pullman
Pullman, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Qualified and Unmodified Opinions

We have audited the compliance of the City of Pullman, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on 21.019 – COVID-19 – Coronavirus Relief Fund

In our opinion, except for the noncompliance described below, 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 21.019 – COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2020.

Basis for Qualified and Unmodified Opinions

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on 21.019 – COVID-19 – Coronavirus Relief Fund

As described in the accompanying Schedule of Findings and Questioned Costs and Finding 2020-001, the City did not comply with requirements regarding 21.019 – COVID-19 – Coronavirus Relief Fund for subrecipient monitoring.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement

made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2020-001 that we consider to be a material weakness.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. 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.



Pat McCarthy, State Auditor

Olympia, WA

March 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Pullman January 1, 2020 through December 31, 2020

Mayor and City Council
City of Pullman
Pullman, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Pullman, as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Pullman, and its changes in cash and investments, for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Pullman, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matters of Emphasis

As discussed in Note 11 to the financial statements, as a result of the COVID-19 pandemic, the full extent of the direct or indirect financial impact is unknown. Management's plans in response to this matter are also described in Note 11. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

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


Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule

of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

March 5, 2024

FINANCIAL SECTION

City of Pullman January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

City of Pullman
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General Fund	105 Street Fund	120 Civic Improvement Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	52,299,207	9,748,569	3,739,923	2,611,493
388 / 588	Net Adjustments	630,564	(294,340)	147,604	(38)
Revenues					
310	Taxes	19,695,520	16,764,018	1,496,986	344,747
320	Licenses and Permits	499,564	496,544	3,020	-
330	Intergovernmental Revenues	33,250,183	28,223,819	713,620	-
340	Charges for Goods and Services	21,854,226	4,505,334	7,515	-
350	Fines and Penalties	45,684	45,684	-	-
360	Miscellaneous Revenues	5,589,971	262,796	89,466	8,925
Total Revenues:		80,935,148	50,298,195	2,310,607	353,672
Expenditures					
510	General Government	4,754,702	2,741,380	-	-
520	Public Safety	15,071,151	15,071,151	-	-
530	Utilities	8,257,793	108,616	-	-
540	Transportation	34,404,903	25,931,737	1,902,166	-
550	Natural/Economic Environment	667,231	657,367	-	-
560	Social Services	36,323	36,323	-	-
570	Culture and Recreation	3,697,594	3,383,406	-	206,629
Total Expenditures:		66,889,697	47,929,980	1,902,166	206,629
Excess (Deficiency) Revenues over Expenditures:		14,045,451	2,368,215	408,441	147,043
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	41,080	5,854	-	-
Total Other Increases in Fund Resources:		41,080	5,854	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	11,678,277	1,041,774	571,529	-
591-593, 599	Debt Service	2,760,805	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		14,439,082	1,041,774	571,529	-
Increase (Decrease) in Cash and Investments:		(352,551)	1,332,295	(163,088)	147,043
Ending Cash and Investments					
50821	Nonspendable	2,867,767	-	-	-
50831	Restricted	3,754,544	-	-	-
50841	Committed	2,648,206	1,613,594	-	250,000
50851	Assigned	34,156,674	22,896	3,724,439	2,508,498
50891	Unassigned	9,150,036	9,150,036	-	-
Total Ending Cash and Investments		52,577,227	10,786,526	3,724,439	2,758,498

The accompanying notes are an integral part of this statement.

City of Pullman
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		125 Firefighter Pension Fund	218 2018 Bond Debt Service Fund	310 Cemetery Expansion Fund	316 2007 Bond Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	395,110	341,858	304,569	8,699
388 / 588	Net Adjustments	-	715,575	(390)	-
Revenues					
310	Taxes	-	1,025,806	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	42,337	-	-	-
340	Charges for Goods and Services	-	-	5,556	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	918	30,118	2,289	-
Total Revenues:		43,255	1,055,924	7,845	-
Expenditures					
510	General Government	17,672	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		17,672	-	-	-
Excess (Deficiency) Revenues over Expenditures:		25,583	1,055,924	7,845	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	1,043,342	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,043,342	-	-
Increase (Decrease) in Cash and Investments:		25,583	12,582	7,845	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	420,694	1,070,015	-	8,699
50841	Committed	-	-	-	-
50851	Assigned	-	-	312,025	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		420,694	1,070,015	312,025	8,699

The accompanying notes are an integral part of this statement.

City of Pullman
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		318 2018 Bond Fund	401 Utility Fund	405 Transit Fund	501 Equipment Rental Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	7,455,023	19,488,705	1,235,199	2,324,845
388 / 588	Net Adjustments	(725,142)	798,407	7,487	(9,586)
Revenues					
310	Taxes	-	-	63,963	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,725,561	2,544,846	-
340	Charges for Goods and Services	-	13,278,590	1,884,107	2,173,124
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	701,258	1,176,542	760,601
Total Revenues:		-	15,705,409	5,669,458	2,933,725
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	8,149,177	-	-
540	Transportation	-	-	4,670,396	1,900,604
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	8,149,177	4,670,396	1,900,604
Excess (Deficiency) Revenues over Expenditures:		-	7,556,232	999,062	1,033,121
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	6,242	28,984
Total Other Increases in Fund Resources:		-	-	6,242	28,984
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,679,744	4,290,467	276,401	117,751
591-593, 599	Debt Service	-	1,717,463	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,679,744	6,007,930	276,401	117,751
Increase (Decrease) in Cash and Investments:		(4,679,744)	1,548,302	728,903	944,354
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,050,136	205,000	-	-
50841	Committed	-	-	-	784,612
50851	Assigned	-	21,630,422	1,971,585	2,475,001
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		2,050,136	21,835,422	1,971,585	3,259,613

The accompanying notes are an integral part of this statement.

City of Pullman
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		504 Government Building Fund	507 Information Systems Fund	707 Lawson Gardens Park Endowment
Beginning Cash and Investments				
308	Beginning Cash and Investments	650,018	1,074,099	2,921,097
388 / 588	Net Adjustments	(7,764)	2,834	(4,083)
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	1,142,205	1,356,541	58,312
Total Revenues:		1,142,205	1,356,541	58,312
Expenditures				
510	General Government	981,150	1,014,500	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	9,864	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	107,559
Total Expenditures:		981,150	1,024,364	107,559
Excess (Deficiency) Revenues over Expenditures:		161,055	332,177	(49,247)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	199,129	501,482	-
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		199,129	501,482	-
Increase (Decrease) in Cash and Investments:		(38,074)	(169,305)	(49,247)
Ending Cash and Investments				
50821	Nonspendable	-	-	2,867,767
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	604,180	907,628	-
50891	Unassigned	-	-	-
Total Ending Cash and Investments		604,180	907,628	2,867,767

The accompanying notes are an integral part of this statement.

City of Pullman
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	444,902	444,902
388 & 588	Net Adjustments	44,327	44,327
310-390	Additions	26,711,261	26,711,261
510-590	Deductions	26,913,487	26,913,487
	Net Increase (Decrease) in Cash and Investments:	(202,226)	(202,226)
508	Ending Cash and Investments	287,003	287,003

The accompanying notes are an integral part of this statement.

CITY OF PULLMAN
NOTES TO FINANCIAL STATEMENTS
January 1, 2020 through December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The City is a general-purpose local government and provides public safety, street improvements, utilities, transit services, library, parks & recreation, community & economic development, and general administration.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements
 - The elected seven members of the City of Pullman City Council serves in an ex-officio capacity as the Board of the Pullman Metropolitan Park District. – See Note 5
 - The City acts as the fiscal agent as well as being a member of the Pullman – Moscow Regional Airport Operating Board – See Note 5
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. The Arterial and Street Funds (presented together as one major fund) are responsible for the maintenance of all city streets, street lighting, and bridges.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. The Bond Funds (presented together as one major fund) are an aggregation of projects directly related to the 2018 UTGO Bonds passed by the City of Pullman voters which includes purchase of a structure and subsequent renovation of a new City Hall & Recreation Center, additions to parks & paths, design & construct a community building at Lawson Gardens, improvements to existing parks assets, and acquire land for a potential third fire station.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry. The Lawson Gardens Park Fund is dedicated to the on-going operations and maintenance of this park. The Cemetery Care Fund is dedicated to the expansion and improvement of the city owned cemetery.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. 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 systems. 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.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis. The City of Pullman operates internal services funds for the equipment rental division, information systems management, and government building maintenance provided to other departments of the City.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 3 - Deposits and Investments

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences, Pension Plans, and Other Post-Employment Benefits

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated without limit. At the end of each calendar year, the maximum amount of sick leave hours that can be rolled over to the next year is limited to 800 hours per employee. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 4 – Long-Term Debt Requirements

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Pullman City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund Name & Designated Uses	Amount
001 General Fund: Committed for TSA Infrastructure	1,199
001 General Fund: Committed for CIP	1,612,395
120 Civic Improvement Fund: Committed for Air Service Grant	250,000
125 Firefighters Pension Fund: Restricted for Firefighter Pensions	420,694
218 2018 Bond Fund: Restricted for Debt Service	1,070,015
316 2007 Bond Fund: Restricted for Capital Projects	8,699
318 2018 Bond Fund: Restricted for Capital Projects	2,050,136
401 Utility Fund: Restricted for Bond Indenture	205,000
501 Equipment Rental Fund: Committed for Equipment Replacement	784,612
707 Lawson Gardens Park: Nonspendable for Permanent Fund	2,867,767
Total	9,270,517

NOTE 2 – BUDGET COMPLIANCE

A. Budgets

The City adopts biennial appropriated budgets for seventeen funds. This budget is appropriated at the fund level, except for the General Fund where the budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Appropriations for the fund lapses at the fiscal year end without any associated budget amendments.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Original Budget	Amended Budget	Actual Expenditures	Variance
General Fund – Administration and Finance	1,857,566	2,537,846	2,310,884	226,962
General Fund - General Government	571,236	13,786,335	27,066,916	-13,280,581
General Fund - Law Enforcement	8,370,917	8,547,367	7,368,030	1,179,337
General Fund - Fire	7,464,197	7,514,479	7,134,302	380,177
General Fund - Inspections	853,510	853,510	727,473	126,037
General Fund - Planning	465,545	510,545	357,660	152,885
General Fund - Economic Development	0	0	128,583	-128,583
General Fund - Library	1,791,623	1,927,623	1,244,065	683,558
General Fund - Parks & Recreation***	4,760,111	4,060,611	2,633,840	1,426,771
001 General Fund - Total	26,134,705	39,738,316	48,971,754	-9,233,438
104 Arterial Streets	3,179,600	3,726,600	169,004	3,557,596

105 Streets	2,882,679	3,139,560	2,303,797	835,763
120 Civic Improvement	1,077,000	1,135,264	206,629	928,635
125 Firefighter Pension	40,000	40,000	17,672	22,328
218 Debt Service Fund - 2018 Bond****	0	1,043,342	1,043,342	0
310 Cemetery Expansion	500	500	0	500
317 Utility Bond Fund*	1,042,194	4,142,194	3,964,827	177,367
318 2018 Bond Fund****	4,134,713	4,745,353	4,679,746	65,607
401 Utilities*	19,890,364	20,687,328	11,972,684	8,714,644
403 Utility Capital Projects*	3,774,500	8,475,500	2,907,467	5,568,033
404 Stormwater*	2,280,671	2,280,671	1,342,164	938,508
405 Transit	5,996,738	6,471,738	4,946,765	1,524,973
501 Equipment Rental	3,964,855	4,914,855	2,018,320	2,896,535
504 Facilities	1,271,809	1,421,809	1,178,473	243,336
507 Information Technologies	1,643,883	1,983,883	1,525,846	458,037
651 Airport Agency Fund	25,968,603	28,968,603	26,161,853	2,806,750
658 Metro Parks***	0	828,500	751,634	76,866
707 Lawson Gardens	112,312	112,312	107,559	4,753
710 Cemetery Care**	500	500	0	500
Total Annual Budget	103,395,626	133,856,828	114,269,534	19,587,294

The funds in the chart above include funds that are rolled into a main fund for the purpose of reporting. Those marked by an asterisk () are non-restricted special revenue and capital project funds that have been rolled into the City's Utility Fund (401). The funds in the chart below marked by two asterisks (**) are to identify the Cemetery funds that while budgeted separately are presented under the same capital project account. While the Metropolitan Parks Fund (658) was budgeted as part of the General Fund – Parks & Recreation budgeting amounts, it is presented separately and is marked with (***). While the Debt Service Fund – 2018 Bond (218) was budgeted as part of the 2018 Bond Fund (318) budgeting amounts, it is presented separately, per SAO guidance and is marked with (****).*

Budgeted amounts are authorized to be transferred between object classes within the department; 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's legislative body.

B. Material Budget Amendments & Transfers, and Significant Variances

General Fund – General Government expenditures increased by \$13,280,581 over the original budgeted amount due primarily to grants received from the Federal Aviation Administration by the City of Pullman on behalf of the Pullman-Moscow Regional Airport (a separately audited entity) for the Runway Realignment Project. When these grant awards are accepted by the Pullman City Council, the General Fund – General Government expenditures account is amended to pass through the grant dollars for ongoing construction activities at the airport.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investments are reported at amortized cost. Deposits and investments by type held by the City of Pullman on behalf of the District at December 31, 2020 are as follows:

Type	City's Own Deposits & Investments	Deposits and Investments Held by City As Custodian	Total
Bank Deposits	\$21,835,014.70	\$ 287,003.00	\$ 22,122,026.34
Local Government Investment Pool	\$27,888,489.34		\$ 27,888,489.34
U.S. Government Securities	\$ -		\$ -
Other Investments (Lawson Gardens Endowment)	\$ 2,853,722.83		\$ 2,853,722.83
Total	\$52,577,226.87	\$ 287,003.00	\$ 52,864,238.51

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds as invested.

Investments in the State Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. 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 on behalf of the Park District. There were no sales of securities at other than maturity or call dates that resulted in realized gains or losses.

All investments are insured, registered or held by the City on behalf of the District or its agent in the government's name.

NOTE 4 – LONG TERM DEBT REQUIREMENTS

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds and revenue bonds and loans are as follows:

General Obligation Bonds: Government Activities			
Year	Principal	Interest	Total
2021	717,929	325,413	1,043,342
2022	737,291	306,051	1,043,342
2023	757,176	286,166	1,043,342
2024	777,600	265,742	1,043,342
2025	798,577	244,765	1,043,342
2026 – 2030	3,378,842	911,898	4,290,740
2031 – 2035	3,199,034	474,390	3,673,424
2036 – 2037	1,409,473	59,897	1,469,370
Total	11,775,922	2,874,320	14,650,242

Revenue Bonds: Business-Type Activities			
Year	Principal	Interest	Total
2021	1,523,865	193,598	1,717,463
2022	1,561,442	156,021	1,717,463
2023	1,599,835	117,509	1,717,344
2024	1,012,419	78,044	1,090,463
2025	593,871	58,587	652,458
2026 – 2028	1,867,772	89,603	1,957,375
Total	8,159,205	693,362	8,852,567

Debt Outstanding

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally 20-year serial bonds with equal amounts of payments each year.

2018: \$10,500,000 Umpqua Bank City Hall General Obligation Bond; semi-annual installments start June 2019 until December 2037 at 2.82%; proceeds for purchase and improvements to New City Hall Building project. Repayment from voter approved property tax levy: 9,814,647

2018: \$2,400,000 Umpqua Bank Parks and Pathways General Obligation Bond; semi-annual installments start June 2019 until December 2027 at 2.48%; proceeds for improvements to parks and trails projects. Repayment from voter approved property tax levy: 1,961,275

Revenue bonds result from when the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council, and financed from Enterprise Fund revenues

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: 2,911,818

2018: \$6,048,211 Umpqua Bank Water and Sewer Revenue Bond; semi-annual installments start December 2018 until December 2028 at 2.38%; proceeds for improvements to the water/sewer utility project. Repayment from water/sewer revenues: 4,702,245

2018: \$1,069,460 Umpqua Bank Water and Sewer Revenue Bond; semi-annual installments start December 2018 until December 2023 at 2.38%; proceeds for improvements to the water/sewer utility project. Repayment from water/sewer revenues: 545,142

At December 31, 2020, the City has restricted assets in proprietary funds containing \$0 in sinking funds and \$205,000 reserves as required by bond indentures.

NOTE 5 – COMPONENT UNITS, JOINT VENTURES, AND RELATED PARTIES

Component Units and Joint Ventures are any legally separate organization that the government either controls, holds an ongoing financial interest, or has an ongoing financial responsibility.

Pullman Metropolitan Parks District

The Component Unit was formed by vote of the citizens of the district on September 7, 2002 and subsequently incorporated January 1, 2003. The Component Unit provides parks and recreation services by contracting through an interlocal agreement with the City of Pullman for the benefit of the district. The Component Unit is governed by a seven-member board composed of the elected Pullman City Council members serving on the Board of Directors for the Pullman Metropolitan District in an ex-officio capacity.

Through the interlocal agreement, the District provides revenues received in the form of property taxes and investment interest to the City of Pullman to provide parks and recreation services. Any assets subsequently purchased by the City with these dollars become city property. The Metropolitan Parks District has no employees. For 2020, the District operated on a budget of \$828,500, with expenditures totaling \$751,634 and revenues totaling \$ 596,893.

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.

Pullman Moscow Regional Airport

The Pullman-Moscow Regional Airport has existed since the late 1930's, and operated in its present form since 1970. The City acts as the fiscal agent for, as well as being a member of, the Pullman – Moscow Regional Airport Operating Board. 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. For 2020, the Airport operated on a budget of \$28,968,603 with reported revenues of \$26,114,368 and expenses of \$26,161,853. These figures are based on the City's cash-basis of accounting, and as such, will differ from the Airport's accrual-basis reports.

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. To obtain these separately issued financial statements contact the City's Office of Finance, 190 SE Crestview Street, Pullman, WA 99163.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

During the year ended December 31, 2020, the City of Pullman adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the Cash Basis BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City as required by RCW 41.26.110. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had fifteen members, all retirees. As of December 31, 2020, the City's total OPEB liability was \$7,909,830 as calculated using the alternative measurement method. For the year ended December 31, 2020, the City paid \$236,742 in benefits.

NOTE 7 – PENSION PLANS

State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

- Public Employees' Retirement System (PERS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

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

At June 30, 2020, the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Employer Contributions per PEFI	PMRA Portion of Employer Contributions	City's Portion of Employer Contributions	Allocation	City's Liability/ (Asset)	PMRA Liability	Liability/ (Asset) Total
PERS 1	516,441	26,826	489,615	0.071258%	2,385,111	130,681	2,515,792
PERS 2/3	813,103	44,201	768,903	0.088263%	1,067,470	61,364	1,128,833
LEOFF 1	0	0	0	0.028852%	(544,873)	0	(544,873)
LEOFF 2	351,815	0	351,815	0.179846%	(3,668,596)	0	(3,668,596)

**Pullman-Moscow Region Airport (PMRA) participates in PERS 2/3 Plan through the City's DRS account, thus PMRA figures are broken out from the City's for the purpose of this reporting. Net Pension Liability presented on the Schedule of Liabilities is for the City's own liability, and excludes PMRA portion of the liability.

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City also participates in the LEOFF Plan 2. 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.

NOTE 8 - PROPERTY TAXES

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

Property tax revenues are recognized when cash is received by City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City regular levy for the year 2020 was \$3.2212780614 per \$1,000 on an assessed valuation of \$2,091,183,391 for a total regular levy of \$6,736,283.

The excess levy related to passing the 2018 GO Bond for the year 2020 was \$0.5000485710 per \$1,000 on an assessed valuation of \$2,091,183,391 for a total regular levy of \$1,043,342.

The City EMS levy for the year 2020 was \$0.4474078285 per \$1,000 on an assessed valuation of \$2,091,183,391 for a total regular levy of \$935,612.

NOTE 9 - RISK MANAGEMENT

WCIA

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 (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 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 [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated

basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other 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. Additionally, no insurance settlements have exceeded insurance coverage in 2020 or either of the two preceding fiscal years.

WSTIP

The City of Pullman (Pullman Transit) is a member of the Washington State Transit Insurance Pool (WSTIP). WSTIP is a 25-member self-insurance program located in Olympia, Washington. WSTIP supplies Pullman Transit general and auto liability and public officials' liability coverage.

Pullman Transit has a \$5,000 deductible for public official's liability coverage and has no deductible for general and auto liability risks covered by WSTIP.

WSTIP was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member transit agencies joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling, and administrative services. Transit agencies joining WSTIP must remain members for a minimum of 36 months. Members may withdraw after that time by giving six-month's notice and at the end of the fiscal year. Any member who withdraws will not be allowed to rejoin for a period of 36 months.

Transit authorities applying for membership in WSTIP may do so on approval of a simple majority vote of the WSTIP Board of Directors. Underwriting and rate-setting policies have been established after consultation with actuaries. WSTIP members are subject to a supplemental assessment in the event of deficiencies. If WSTIP's assets were to be exhausted, members would be responsible for WSTIP's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited annually by the Washington State Auditor.

WSTIP utilizes a combination of self-insurance, reinsurance and excess insurance to provide the limits noted in the summary below. Carriers include Government Entities Mutual, Munich Reinsurance America, Lloyds of London, and Hallmark Specialty Insurance Company for the liability lines.

Pullman Transit has not presented any claims to WSTIP in the last year that exceeded its current coverage limits through WSTIP. Here is a summary of coverage provided in 2020:

RISK / EXPOSURE		COVERAGE	DEDUCTIBLE
GENERAL LIABILITY:			
Bodily Injury & Property Damage	\$25 million	Per occurrence	\$0
Personal Injury and Advertising Injury	\$25 million	Per offense	\$0
Contractual liability			\$0
Underinsured Motorist Coverage (by mode)	\$60,000	Per occurrence	\$0
PUBLIC OFFICIALS LIABILITY	\$25 million	Per occurrence and aggregate	\$5,000

AWC Trust HCP

The City 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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. 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 10 – INTERGOVERNMENTAL LOANS

The following table displays the intergovernmental loan activity with the Pullman-Moscow Regional Airport during 2020:

Borrowing Agency	Lending Fund	Balance 1/1/2020	New Loans	Repayments	Balance 12/31/2020
Airport Fund (external agency)	Utility Fund	\$3,276,330	\$179,644	\$1,600,000	\$1,855,974

NOTE 11 - COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

Due to the rapidly changing information and response to this health emergency, the full financial and operational impacts to the City of Pullman are still unknown. City Staff regularly updates the Mayor and City Council as to the current state of revenue collections, expenditures, and operations to elicit guidance on navigating the most current conditions. It remains unknown just how long protective measures will be in place, but the Mayor, City Council, and City Staff continue to plan and make necessary adjustments to assure that the essential operations and the health of the community remain of the utmost priority. As more reliable and predictable information becomes available, reporting on the financial impact of the health emergency will be disseminated.

NOTE 12 – OTHER DISCLOSURES

Contingencies and Litigation Items

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.

1. As of March 16, 2021, the City of Pullman has a potential litigation item, related to the access easement for property purchased for the Airport Runway Realignment Project, for which management does not know the probability of the outcome. Therefore, there is no known or estimable amount of loss related to this potential litigation recorded in the financial statements.

2. 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.
3. 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. The City of Pullman is committed to their one-half share of approximately \$3,125,000 over six years to provide for grant match funds. This exposure is expected to be reduced by fundraising efforts. On July 21, 2015, resolution R-56-15 was passed by Council authorizing a \$2,500,000 restricted donation of local match funds for the Pullman-Moscow Regional Airport Runway Realignment Project. As of December 31, 2020, total donations received for this project was \$10,700,000. As of December 31, 2020, the City of Pullman has funded \$2,500,000 for this commitment.

Net Adjustment & Change in Accounting Principle

The 2020 Net Adjustments netted to \$630,564. The Net Adjustments including the following:

1. A prior Period Adjustment of \$715,575 was made to correctly report the cash balance of funds used for the debt service related to the 2018 General Obligation Bond. These funds were originally reported in Fund 318 and were moved to Fund 218.
2. The City uses the cash basis of accounting for reporting purposes, but due to system limitations of the accounting software, and as provided by the SAO Helpdesk ticket number 91585, adjustments totaling \$630,564 were made for the Cumulative Effect of Changes in Accounting Principle.

The City implemented new Budgeting, Accounting and Reporting System (BARS) prescriptive guidance for the classification of its cash and investment balances. While this implementation did not change the amounts reported for total beginning or ending cash and investments, previously reported amounts as reserved and unreserved cash and investments are now reported as nonspendable, restricted, committed, assigned and unassigned.

City of Pullman
Schedule of Liabilities
For the Year Ended December 31, 2020

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Voted GO Bond A - City Hall	12/1/2037	10,260,000	-	445,353	9,814,647
251.22	Voted GO Bond B - Parks	12/1/2027	2,215,000	-	253,725	1,961,275
263.83	Ecology Loan	5/20/2024	3,696,294	-	784,477	2,911,817
263.51	Defibrillator Purchase Agreement	2/1/2020	46,659	-	46,659	-
Total General Obligation Debt/Liabilities:			16,217,953	-	1,530,214	14,687,739
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Non Voted Utility Bond A	12/1/2028	5,230,224	-	527,979	4,702,245
252.11	Non Voted Utility Bond B	12/23/2023	719,884	-	174,742	545,142
264.30	Net Pension Liability		3,511,110	-	58,529	3,452,581
264.40	LEOFF 1 OPEB Liability		6,853,167	1,056,663	-	7,909,830
259.12	Compensated Balances		1,109,021	120,786	-	1,229,807
Total Revenue and Other (non G.O.) Debt/Liabilities:			17,423,406	1,177,449	761,250	17,839,605
Total Liabilities:			33,641,359	1,177,449	2,291,464	32,527,344

City of Pullman
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Violence Against Women Formula Grants	16.588	F18-31103-017	2,505	-	2,505	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-43	-	821,501	821,501	821,501	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-44	-	1,159,867	1,159,867	1,159,867	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-45	-	46,164	46,164	46,164	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-46	-	22,286	22,286	22,286	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-47	-	27,854	27,854	27,854	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-49	-	7,259,416	7,259,416	7,259,416	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-50	-	700,000	700,000	700,000	4

The accompanying notes are an integral part of this schedule.

City of Pullman
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-51	-	74,583	74,583	74,583	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-52	-	12,651,214	12,651,214	12,651,214	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-53	-	46,889	46,889	46,889	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-54	-	616,732	616,732	616,732	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program	20.106	3-53-0051-55	-	141,628	141,628	141,628	4
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program	20.106	3-53-0051-56	-	2,363,603	2,363,603	2,363,603	4
Total CFDA 20.106:				-	25,931,737	25,931,737	25,931,737	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation (WSDOT))	Highway Planning and Construction	20.205	LA-9752	29,894	-	29,894	-	
Total Highway Planning and Construction Cluster:				29,894	-	29,894	-	

The accompanying notes are an integral part of this schedule.

City of Pullman
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation (WSDOT))	COVID 19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0195	980,982	-	980,982	-
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation (WSDOT))	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0020 - Fixed Route	1,063,586	-	1,063,586	-
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation (WSDOT))	Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0020 - Dial- a-Ride	311,662	-	311,662	-
Total CFDA 20.509:				2,356,230	-	2,356,230	-
Highway Safety Cluster							
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Traffic Safety Equipment	2,800	-	2,800	-
Total Highway Safety Cluster:				2,800	-	2,800	-
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-293	1,555,200	-	1,555,200	-

City of Pullman
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Secretary)	COVID 19 - Coronavirus Relief Fund	21.019	CG101-07	1,500	-	1,500	-	
		Total CFDA 21.019:			-	1,556,700	-	
		Total Federal Awards Expended:			25,931,737	29,879,866	25,931,737	

City of Pullman

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 – 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.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Pullman
January 1, 2020 through December 31, 2020

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2020-001	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of City contact person: Jeff Elbracht 190 S.E. Crestview Street Pullman, WA 99163 509-338-3212	
Corrective action the auditee plans to take in response to the finding: <i>City will ensure compliance with all guidelines for evaluation of risk and monitoring for all future subrecipients.</i>	
Anticipated date to complete the corrective action: Immediately	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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