

# CITY OF HERMISTON, OREGON

## ANNUAL COMPREHENSIVE

## FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2023



Prepared By:

The Finance Department

City of Hermiston



*Where Life is Sweet*

**CITY OF HERMISTON, OREGON**

**Financial Statements and  
Independent Auditors' Report**

**June 30, 2023**

**CITY OF HERMISTON, OREGON**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2023**

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## **INTRODUCTORY SECTION**



## Administrative Offices

February 20, 2024

To the Citizens of the City of Hermiston

The annual comprehensive financial report of the City of Hermiston, Oregon, for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

Oregon statutes require an annual audit by independent certified public accountants. The accounting firm of Barnett and Moro, P.C., was selected by the City. The auditors' report is included in the financial section of this report.

City management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management Discussion and Analysis (MD&A). The City's MD&A can be found following the auditors' report.

### CITY PROFILE

Hermiston (population 19,354 according to the 2020 U.S. Census) is a progressive, growth oriented urban center for an area based economically on transportation/logistics, agriculture, food processing and other light industry. Data center management is growing sector of the regional economy. Hermiston is located in west Umatilla County in northeast Oregon, less than a day's drive from major markets such as Portland, Spokane, Seattle and Boise, 35 miles south of the Tri-Cities, Washington, and six miles south of the Columbia River.

Hermiston is the merging point for two interstate highways, I-82 (north-south) and I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns a municipal airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a public safety center, housing police and fire (not a city department); the Hermiston Community Center; the Harkenrider Senior Center; the Eastern Oregon Trade and Event Center (EOTEC), a regional conference and event complex; public works building; wastewater treatment plant; public library; twelve city parks encompassing 114 acres and water, sewer and electric utilities. There are approximately 102 full-time city employees and 34 permanent part-time employees. In the 1960s, the voters approved the council-manager form of government. The current city charter provides for eight councilors, mayor and a municipal judge that are elected. The council hires a city manager to direct the day to day activities of the City.

The City provides a full range of services, either in-house or through the use of third-party contractors. These services include police protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the City operates electric, water, and sewer utility systems.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body.

Budgetary controls comply with Oregon's Local Budget Law, contained in Chapter 294 of the Oregon Revised Statutes (ORS). This law does two very important things:

1. It establishes standard procedures for preparing, presenting, and administering the budget.
2. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before its formal adoption.

An annual budget resolution is passed by the City Council; thus it becomes the formal budget for City operations. Budgetary control is maintained at the organizational unit level within funds. The legally adopted budget is at the department level for current expenditures, with separate appropriations established for categories such as capital projects, debt service, transfers, and contingencies.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### **ECONOMIC CONDITIONS AND OUTLOOK**

A labor market economist for the State of Oregon speaks of Hermiston as "one of the most desirable sites for industrial development in the Pacific Northwest" because of its low land costs, large inventory of industrially zoned land, reasonable local taxes and excellent access to transportation routes. The citizens and government of Hermiston boast a progressive, growth oriented philosophy that encourages new businesses to locate here. There are approximately 40,000 people living within 10 miles of downtown Hermiston, and there are more than 100,000 people employed within a 25-mile radius of the city. The State of Oregon's certified 2023 population estimate for the city is 20,322.

Recent years have seen the ongoing expansion of medical services in Hermiston. Good Shepherd Medical Center (GSMC) expanded its surgical facilities in 2015 and completed construction of a new medical office building to add additional doctor's suites. These expansions have added 55 new full time employees to GSMC's payroll since 2015. Guardian Angel Homes completed construction of a 32-unit memory care facility in 2016. GSMC continues to invest in additional facilities and is always looking to enhance services available in the Hermiston area.



Hermiston has also seen major growth in regional hospitality related businesses. Holiday Inn Express & Suites built a new \$6 million, 93-room hotel in downtown Hermiston, which opened in December, 2016. The Oak Tree Inn also completed a 20-room expansion in 2016, and just outside of Hermiston, the Comfort Inn & Suites completed a 20-room expansion in 2015.

In addition to serving as a regional medical and retail center, Hermiston has aggressively built a diverse economy with food processing, logistics/distribution and other agriculture related business as its foundation. The Hermiston area includes a 1.2 million square foot Wal-Mart Distribution Center, a \$3.5 million food distribution center of the Church of Jesus Christ of Latter-day Saints and the North American Research and Development Center for Corteva Agriscience. Corteva's raw commodities' needs effectively diversify the region's agricultural portfolio and raise the value of grower contracts in the area, while also creating additional opportunities for agricultural support services business. Recent expansions in the region by Lamb Weston, a potato processor, have added a large number of jobs and total over \$500 million in investment. A large feed mill operates just south of the City; there are also several large dairy facilities in the area. An auto/RV parts warehouse is near completion that will continue to strengthen the area's commitment to logistics/distribution. Local companies also continue to invest in the area as evidenced by A-1 Industrial Hose and Supply's recent construction of an addition 30,000 square feet of warehouse space. Finally, data centers are being constructed throughout the region. This effort further diversifies the regional economy.

Hermiston's location at the intersection of two Interstate freeways makes the community ideally suited for companies moving products to the western states region. Wal-Mart's Hermiston Distribution Center, which serves all Northwest Wal-Mart Retail stores is joined by FedEx and UPS taking advantage of Hermiston's location. FedEx Freight has a full-service distribution center near Hermiston and UPS runs air-cargo out of the Hermiston Municipal Airport. The airport has been steadily investing in its runway, apron and other related infrastructure over the past 5 to 7 years.

Situated in an arid section of Oregon, Hermiston's existence has always necessarily been connected to water. The two original town sites that were to become Hermiston sprang up following the creation of the Hermiston Irrigation District in 1905. Circle irrigation developed and agriculture flourished throughout the desert area, increasing irrigated land to over 200,000 acres. Abundant access to field and row crops such as potatoes, melons, beans, onions, etc., resulted in the construction of food processing plants, and their employment needs increased Hermiston's population from 4,893 in 1970 to 19,354 in 2020.

Due to the major importance of irrigated agriculture to the regional economy, the City of Hermiston is a member of, and contributes to, the efforts of the Northeast Oregon Water Association. This work resulted in a funding package of nearly \$50 million through a combination of grants and loans from the State of Oregon to increase the amount of irrigation water in the region as well as improve the long-term viability of regional water resources. The projects funded by this investment continue to move into implementation and they have a substantial economic benefit to the Hermiston region.

With agricultural interests predominant in and around Hermiston, the City of Hermiston offers a central site for rodeos, home shows, livestock sales, community dances, auctions and other events, as well as the annual Umatilla County Fair. Due to the growing needs of the community, the Eastern Oregon Trade and Event Center (EOTEC) was completed in 2017 to house the award winning Farm-City Pro Rodeo and the Umatilla County Fair along with other regional and local events. EOTEC now hosts a wide variety of events throughout the year. This center and other development has created interest from multiple hotel development companies for additional properties to be developed in Hermiston.

The Hermiston School District has six elementary schools, two middle schools, one senior high school, and one alternative school. With nearly 5,500 students, it is the largest school district in Eastern Oregon, and with 668 employees, the fifth largest employer in Hermiston. Additionally, Blue Mountain Community College and Eastern Oregon University, with satellite campus facilities in Hermiston, offer advanced education opportunities.

In November 2019 voters authorized the School District to sell \$82.7 million in capital construction bonds. The proceeds will support construction projects to: replace the District's oldest elementary school, construct an additional elementary school, increase capacity at the high school and to purchase property for anticipated student capacity growth. The two elementary school projects were completed in Fall 2022 and the high school project is currently underway.

The School District has invested a significant amount of money in sports facilities along with their other projects. This includes multi-million dollar replacement of the high school football stadium and additional gymnasium development in multiple locations. These facilities have generated a positive economic impact to Hermiston because of their ability to attract events like state-level football, soccer, lacrosse, and track & field events as well as AAU basketball tournaments.

Although 250 miles from the ocean, Hermiston is only 643 feet above sea level and receives less than nine inches of rain annually. The area offers a spectrum of outdoor pastimes, including water sports such as skiing, boating, swimming and fishing in the surrounding ponds, streams and rivers. Day trips or longer for snow sports, camping, hiking and hunting are taken to nearby mountain ranges and rock hounding abounds in the geological areas two hours south of town. Hermiston offers athletic clubs; an outdoor swimming pool; jogging trails; bicycle lanes; sites for tennis, soccer, and all kinds of sports leagues; and golf courses in neighboring towns. Environmental areas include twelve city parks encompassing 114 acres, Umatilla Wildlife Refuge, Hat Rock State Park and Cold Springs Reservoir.

Culturally, Hermiston is the scene for varied performances at the junior and senior high auditoriums, including events sponsored by the Inland Northwest Musicians. There are eight movie screens, a bowling alley and a roller rink. Hermiston boasts more than 150 organizations, including service clubs such as Rotary, Kiwanis and Altrusa. Hermiston also has a recently renovated modern public library.

Hermiston is served by a regional 911 emergency system, a well-trained police force, county deputy sheriffs and the Oregon State Police. The City has its own municipal court as well as a circuit court facility. Medical care is based in a modern hospital, supported by medical clinics housing a variety of specialists. Ambulance service is provided by the fire district. There are optometric, dental, chiropractic and mental health services available.

Major employers outside the food processing and logistics industries include JM-Eagle, Marlette Homes, Union Pacific Railroad, Portland General Electric and the State of Oregon. JM Eagle operates a polyvinylchloride pipe plant in the Port of Umatilla Industrial Park five miles north of Hermiston. This plant employs approximately 50 people. Marlette Homes builds affordable manufactured homes. Two State prisons in the region are also significant employers in the regional economy.

Four shopping centers are located in the City. The City's retail trade area includes 50,000 people in a two-county area. State of Washington residents also shop here due to the lack of sales tax in the State of Oregon. Among the major retailers in the City are a Wal-Mart superstore, Home Depot, Big 5 Sports, several supermarkets and a variety of other businesses. The steady economic and employment growth the Hermiston region has experienced in recent years is expected to remain strong in the near-term foreseeable future.

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### **MAJOR INITIATIVES AND LONG-TERM FINANCIAL PLANNING**

The City has the following ongoing commitments and construction contracts:

1. Airport Improvements – The City has been utilizing several state and federal grants for various improvements at the Hermiston Municipal Airport. The City has recently leased additional land at the airport for private hangars in addition to some non-aviation related development. The City continues to work on projects to increase traffic at the Airport.
2. N. 1<sup>st</sup> Place Project – The City recently completed a multi-phase rebuild of infrastructure in the N. 1<sup>st</sup> Place corridor between Hermiston Ave and Elm Ave. This project included sewer, water and road components. Road components included improved pedestrian facilities.
3. Skatepark Development - A long awaited project to enhance recreational facilities for skaters is nearly complete. There are a few improvements left to complete a new and modernized skatepark. This development enhances the area surrounding improved parking facilities around Hermiston High School.
4. Geer and Harper Intersection Realignment – The City has spent ~\$234,000 of an expected \$1.5 million to reconstruct a three-way intersection that also includes a railway crossing. The intersection needs to be reconstructed to improve traffic and pedestrian access, and ensure connectivity to property east of N. 1st Place. The current configuration makes access difficult for large trucks, and traffic backs up on Harper Road during busy times of day.
5. Regional Water System (RWS) - The City continues to work with its partner, the Port of Umatilla, on building additional capacity into the RWS. These projects will bring additional RWS non-potable water to the South Hermiston Industrial Park to assist businesses locating in that area.
6. School Development - The Hermiston School District is completing their bond projects that occurred all around the community. There was new elementary school and the replacement of another along with a new annex building at Hermiston High School. Other smaller projects are also enhancing various local schools.
7. City Hall Replacement - City Hall was damaged in a December 2019 fire. After securing funding without a property tax increase, the construction project was completed in Fall 2022. Two adjacent parking lots were also renovated along with new water/sewer infrastructure in the each alleyway.
8. Riverview Park - Riverview park has been damaged by flooding for two consecutive years. In cooperation with the Federal Emergency Management Agency, a parking lot and playground have been relocated to a less vulnerable location within the park.
9. South Hermiston Industrial Park - The City in conjunction with adjacent property owners is continuing infrastructure improvements in the South Hermiston Industrial Park. This round of industrial park improvements create more lots available for small to mid-size businesses needing light industrial space. All of this will provide additional support services to the Hermiston area.

The City is continuing its efforts to improve and develop its streets, parks and recreation facilities. The City complies with all State of Oregon planning requirements, including comprehensive plan development and periodic review.

## FINANCIAL POLICIES

The City maximizes its yield on short-term/low risk investments by pooling the cash of all funds. The City's savings and reserves are invested primarily in U.S. Treasury securities and the Oregon State Local Government Investment Pool. The City is authorized to invest up to 35% of its holdings in corporate bonds and up to 10% of its holdings in municipal bonds.

The City has initiated a limited risk management program for workers' compensation and general liability. The City is self-insured for unemployment compensation costs. Third-party coverage is currently maintained for workers' compensation and general liability.

The City elects to pay what would otherwise be the employee's 6% contribution to the Oregon Public Employees Retirement System.

## AWARDS


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hermiston for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the Thirty-second consecutive year that the City of Hermiston has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated and efficient efforts of the staff of the Finance Department. We would like to thank the members of the department who contributed and assisted in the report's preparation. Our sincere appreciation goes to the Mayor and the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

  
\_\_\_\_\_  
Byron D. Smith  
City Manager

  
\_\_\_\_\_  
Mark Krawczyk  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hermiston  
Oregon**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

**CITY OF HERMISTON, OREGON**

**List of Principal Officials**

**June 30, 2023**

**ELECTED OFFICIALS**

	<u>Term Expires</u>
Mayor:	
Dr. David Drotzmann	December 31, 2024
Council Members:	
Jackie M. Linton	December 31, 2026
Roy Barron	December 31, 2026
Jackie C. Myers	December 31, 2026
David P. McCarthy	December 31, 2026
Maria Duron	December 31, 2024
Rod S. Hardin	December 31, 2024
Nancy Peterson	December 31, 2024
Doug Primmer	December 31, 2024
Municipal Judge:	
Cameron R. Bendixsen	December 31, 2026

**APPOINTED OFFICIALS**

City Manager	Byron Smith
Assistant City Manager	Mark Morgan
Finance Director	Mark Krawczyk
City Recorder	Lily Alarcon-Strong
Police Chief	Jason Edmiston
Water Superintendent	Roy Bicknell
Wastewater Superintendent	Bill Schmittle
Library Director	Mark Rose
City Attorney	Richard Tovey
Street Superintendent	Ron Sivey
HES Superintendent	Nate Rivera
Building Official	Chuck Woolsey
Parks & Recreation Director	Brandon Artz
City Planner	Clint Spencer
Court Manager	Jillian Viles

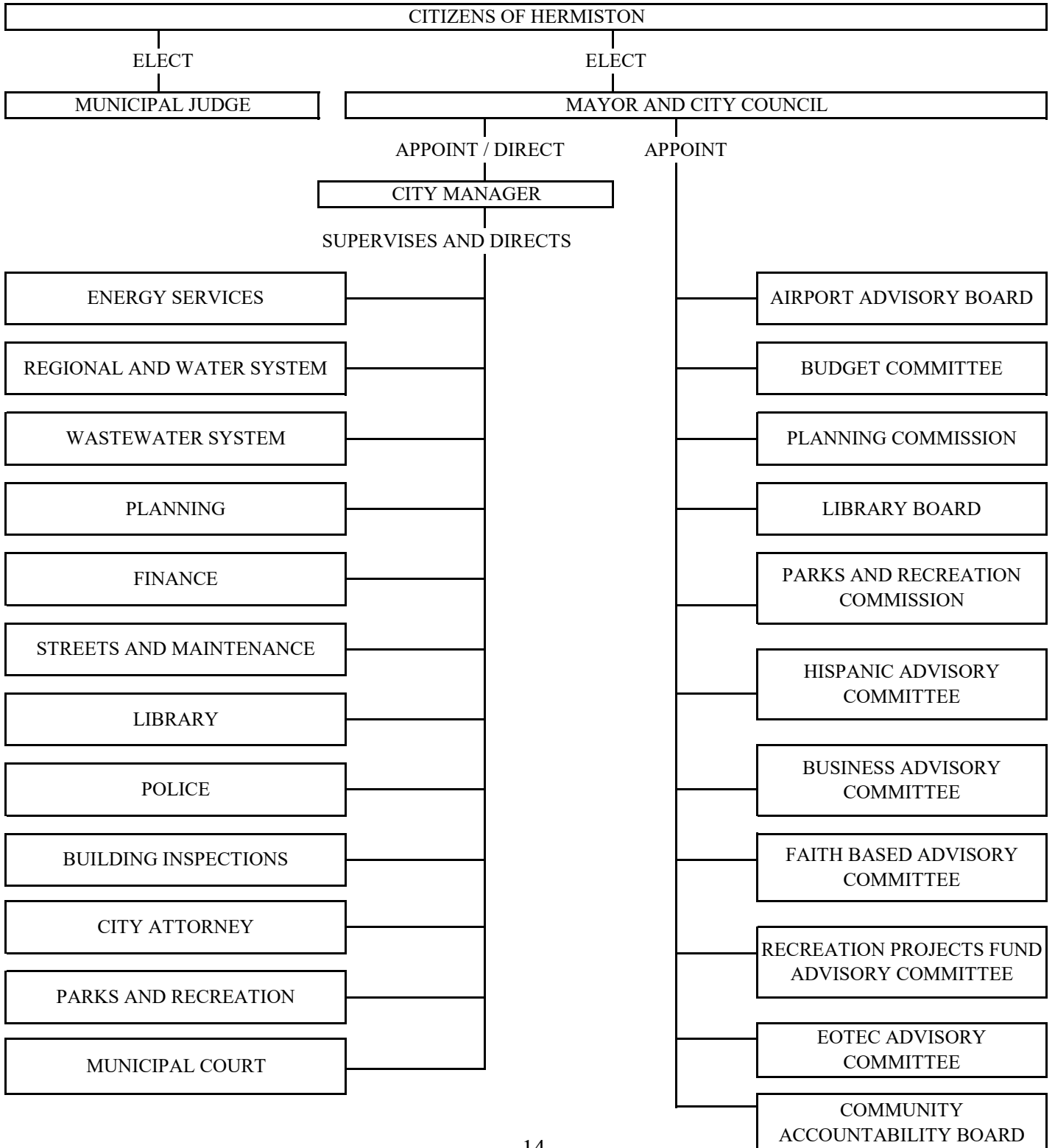
**OFFICIAL ADDRESS**

180 NE 2nd Street  
Hermiston, OR 97838  
Telephone: 541-567-5521

**CITY OF HERMISTON, OREGON**

**Organizational Chart**

**June 30, 2023**



**FINANCIAL SECTION**



# Barnett & Moro, P.C.

Certified Public Accountants

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BETSY J. BENNETT, C.P.A.

DAVID J. BARNETT, C.P.A.

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## **INDEPENDENT AUDITORS' REPORT**

Mayor and City Council  
City of Hermiston, Oregon

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hermiston, Oregon, and to meet our 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 opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermiston, Oregon'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.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, 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.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information for the General Fund and State Street Tax Fund, pension and OPEB disclosures, and the Notes to Required Supplemental Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for the General Fund and State Street Tax Fund, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermiston, Oregon’s basic financial statements. The supplemental information section and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

**Reports on Other Legal and Regulatory Requirements**


*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024, on our consideration of City of Hermiston, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Hermiston, Oregon's internal control over financial reporting and compliance.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 20, 2024, on our consideration of the City of Hermiston, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By:   
Dennis L. Barnett, Shareholder  
February 20, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

As management of the City of Hermiston (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2023. The analysis focuses on the City's overall financial position, results of operations, and other important economic factors. It discusses events of the current fiscal year while providing comparisons to results of the prior year. We encourage readers to consider the information presented here in conjunction with the information that we have furnished in our letter of transmittal.

**FINANCIAL HIGHLIGHTS**

- The City's assets and deferred outflows of resources totaled approximately \$159.2 million at June 30, 2023 consisting of approximately \$23.3 million in cash and investments, \$125.2 million in capital assets and \$10.7 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$7.0 million from the previous fiscal year due to construction in progress additions and grants and other receivable increases.
- The City's liabilities and deferred inflows of resources totaled \$71.7 million at June 30, 2023, consisting of \$60.5 million in non-current liabilities, \$7.7 million in current liabilities, and \$3.5 million in deferred inflows of resources. Total liabilities and deferred inflows of resources decreased by \$6.2 million from the previous fiscal year due to City repayment of long-term debt and a decrease in the City's net pension liability.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2023 by \$87.5 million (net position). Of this amount \$13.4 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors. The remainder of the City's net position includes \$68.5 million net investment in capital assets, and \$5.6 million restricted for specific purposes. The City used restricted funds to acquire and improve infrastructure assets.
- For its governmental activities the City generated \$4.5 million in Charges for Services and \$9.7 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$19.4 million for the year resulting in a net expense of \$5.2 million. After an additional \$11.3 million in general revenues and \$2.9 million in transfers out, governmental activities resulted in a \$3.2 million increase in net position.
- For its business-type activities the City generated \$23.9 million in Charges for Services to fund direct expenses of \$16.9 million resulting in a net revenue of \$7.0 million. After investment income of \$57,000 and transfers in of \$2.9 million, net position from business-type activities increased by \$9.9 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are divided into three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. Together, they provide a comprehensive overview of the City's financial position. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

Government-wide financial statements. The government-wide financial statements present information about the financial activities of the City as a whole, in a manner similar to a private sector business.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows and outflows of resources. When assets and deferred outflows of resources are reduced by liabilities and deferred inflows of resources, the difference is net position. Over time, increases or decreases in net position may be useful in determining improvement or deterioration in the financial position of the City.

The Statement of Activities reports how the City's net position changed during the year. Net position is increased by revenues, decreased by expenses, and affected by changes in deferred inflows/outflows of resources. The Statement of Activities presents expenses by function and compares them with their related revenues such as grants, contributions, and charges for service. General revenues such as taxes and investment interest available to support all City functions are reported separately from program specific revenues.

**Fund financial statements.** The fund financial statements focus on individual major governmental and proprietary funds.

Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund statements present near-term inflows and outflows of available resources. The City maintains several governmental funds. Each major fund is presented individually with the remaining governmental funds combined into a single aggregate column. Individual fund information for the non-major governmental funds is presented elsewhere in the report. A reconciliation of the total fund balances and the changes in fund balances of the governmental funds to the total net position and the changes in net position in the government-wide financial statements is provided.

Proprietary funds report the same functions presented as business-type funds in the government-wide financial statements. The City uses three proprietary funds to account for its electricity, water and sewer, and regional water operations.

**Notes to the Financial Statements.** The notes provide additional information necessary to gain a full understanding of the financial statements.

**Required Supplementary Information.** This section includes the Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) for the General Fund and State Street Tax Fund. This section also includes the Schedule of the Proportionate Share, Schedule of Contributions, and Schedule of Changes in the City's OPEB Liability as they relate to the City's net pension liability and net OPEB liability.

**Other Supplementary Information.** Readers desiring additional information on major funds that are not a part of Required Supplementary Information and non-major funds can find it in the Combining Schedules of Non-Major Funds and the budgetary comparison sections of this report. Components within this section include:

- Combining schedules. Major funds are included within the Basic Financial Statements, whereas non-major funds are presented here. These statements include combining balance sheets and combining schedule of revenues, expenditures and changes in fund balance.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

- Budgetary Comparisons. Includes budgetary information for major governmental funds budgetary comparison schedules not included in the Required Supplemental Information and for all non-major funds and business type activities.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects a Summary of Net Position compared to prior fiscal year.

	Net Position at Year-End					
	(in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Assets:</b>						
Cash and investments	\$ 12,176	\$ 12,308	\$ 11,505	\$ 8,896	\$ 23,681	\$ 21,204
Other assets	2,844	4,409	2,606	2,337	5,450	6,746
Capital assets	51,356	49,885	73,844	68,903	125,200	118,788
Total assets	<u>66,376</u>	<u>66,602</u>	<u>87,955</u>	<u>80,136</u>	<u>154,331</u>	<u>146,738</u>
Deferred outflows:	<u>3,809</u>	<u>4,348</u>	<u>1,020</u>	<u>1,149</u>	<u>4,829</u>	<u>5,497</u>
<b>Liabilities:</b>						
Current liabilities	3,658	5,285	4,063	4,059	7,721	9,344
Noncurrent liabilities	27,256	26,936	33,266	34,900	60,522	61,836
Total liabilities	<u>30,914</u>	<u>32,221</u>	<u>37,329</u>	<u>38,959</u>	<u>68,243</u>	<u>71,180</u>
Deferred inflows:	<u>2,799</u>	<u>5,484</u>	<u>655</u>	<u>1,268</u>	<u>3,454</u>	<u>6,752</u>
<b>Net Position:</b>						
Net investment in capital assets	36,628	35,021	40,708	33,935	77,336	68,956
Restricted	5,639	5,056	-	-	5,639	5,056
Unrestricted	<u>(5,795)</u>	<u>(6,832)</u>	<u>10,283</u>	<u>7,122</u>	<u>4,488</u>	<u>290</u>
Total Net Position	<u>\$ 36,472</u>	<u>\$ 33,245</u>	<u>\$ 50,991</u>	<u>\$ 41,057</u>	<u>\$ 87,463</u>	<u>\$ 74,302</u>

78.3% of the City's net position reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. Consequently, \$430,000 in bonds payable, \$19,824 in premiums and \$3,991,520 in notes payable reported in the total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.



**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

**Analysis of Changes in Net Position:**

The following table summarizes revenues and expenses for the current fiscal year and provides a comparison to prior year.

Governmental and Proprietary Activities Year Ending June 30, (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for service	\$ 4,498	\$ 2,861	\$ 23,890	\$ 21,678	\$ 28,388	\$ 24,539
Operating grants and contributions	1,436	1,482	-	-	1,436	1,482
Capital grants and contributions	8,274	6,428	-	-	8,274	6,428
<b>General Revenues</b>						
Taxes	10,756	10,070	-	-	10,756	10,070
Investment earnings (losses)	212	(135)	57	(43)	269	(178)
Other	342	576	-	-	342	576
<b>Total Revenues</b>	<b>25,518</b>	<b>21,282</b>	<b>23,947</b>	<b>21,635</b>	<b>49,465</b>	<b>42,917</b>
<b>Expenses</b>						
General government	5,147	4,581	-	-	5,147	4,581
Public safety	6,434	6,166	-	-	6,434	6,166
Highways and streets	1,931	1,839	-	-	1,931	1,839
Cultural and recreation	5,116	5,117	-	-	5,116	5,117
Economic development	285	83	-	-	285	83
Interest on long-term debt	489	497	-	-	489	497
Water	-	-	3,730	3,943	3,730	3,943
Sewer	-	-	4,498	4,098	4,498	4,098
Electricity	-	-	8,676	8,634	8,676	8,634
<b>Total Expenses</b>	<b>19,402</b>	<b>18,283</b>	<b>16,904</b>	<b>16,675</b>	<b>36,306</b>	<b>34,958</b>
Change in net position before:	6,116	2,999	7,043	4,960	13,159	7,959
Transfers	(2,890)	969	2,890	(969)	-	-
Change in net position	3,226	3,968	9,933	3,991	13,159	7,959
Net position - beginning	33,246	29,311	41,058	37,108	74,304	66,419
Prior period adjustment	-	(33)	-	(41)	-	(74)
Beginning net position, restated	33,246	29,278	41,058	37,067	74,304	66,345
Ending net position	<b>\$ 36,472</b>	<b>\$ 33,246</b>	<b>\$ 50,991</b>	<b>\$ 41,058</b>	<b>\$ 87,463</b>	<b>\$ 74,304</b>

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

**Governmental Activities.** The City's revenues increased \$4.2 million over the prior year. Increases resulted from: increased Building Department activity, providing information technology and plan review services to other governments, various federal grants, payments received in-lieu of taxes as part of Enterprise Zone agreements and increases in property taxes. The taxable value of property within the City increased by 8.0% from the prior year.

Expenses to perform governmental activities increased by \$1.1 million. The \$580,000 cost to provide information technology costs to other governments did not exist in the prior year.

**Business-type activities.** Hermiston Energy Services didn't increase electric rates during the year. Revenues increased 8.4% based upon usage while costs remained steady. Water and sewer rates adjust annually for inflation.

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2023, the City's governmental funds reported a combined ending fund balance of \$11.9 million compared to prior year's balance of \$11.0 million. The City had an increase in fund balance of \$0.9 million. The City completed construction of it's city hall causing it's capital outlay expense to decrease by \$8.5 million. Unassigned fund balance as of June 30, 2023, was \$958,000 and is available for spending at the City's discretion.

**General Fund**

The general fund is the chief operating fund of the City. At June 30, 2023, the total fund balance was \$2,961,000 of which \$2,499,000 is considered unassigned, reflecting an increase in unassigned fund balance of approximately \$248,000 from the prior year. Expenditures in the general fund increased \$1,150,000 from the prior year. Overall city payroll and benefits increased \$1,850,000, an increase of 14.5%. The City planned for four more employees than in the prior year. General fund revenues increased \$1.5 million from the prior year. General fund property tax revenues increased \$451,000 and charges for services increased \$635,000, mostly due to increased activity in the building department.

Other major governmental funds include the State Street Tax Fund, Reserve Fund, and City Hall Construction Fund. The fund balance in the State Street Tax Fund increased by \$86,000. Decreased State fuel tax receipts caused by a reduction in COVID related programs were offset by a reduction in transfers to other funds. The Reserve Fund balance decreased \$433,000 because of an increase in infrastructure related expenditures. The City Hall Construction Fund completed construction on the replacement of city hall.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

**General Fund Budgetary Highlights**

The City adopted four supplemental budgets, which affected the General Fund, Street Fund, Utility Fund, Reserve Fund, EOTEC Operations Fund, Information Technology Fund, City Hall Construction Fund, and the Local Improvement District Fund. Total appropriations were increased by \$10.9 million. \$7.5 million of the budget increases were unused. \$800,000 funded the new Information Technology Fund. \$965,000 were appropriated to pay for City Hall construction. The remaining increase were required to cover increases in materials and services, capital outlay and personnel expenditures in various funds.

General Fund revenues exceeded original budgeted expectations by \$1.8 million, which was mainly due to property taxes and intergovernmental activity. Actual expenditures of the General Fund were \$0.8 million less than originally budgeted.

**Capital Assets**

The City had \$125.2 million in capital assets net of depreciation at June 30, 2023 allocated as follows:

Net Capital Assets  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and easements	\$ 3,558	\$ 3,558	\$ 1,146	\$ 1,080	\$ 4,704	\$ 4,638
Construction in progress	4,579	11,779	4,606	1,077	9,185	12,856
Buildings and systems	36,556	28,130	67,065	66,478	103,621	94,608
Machinery, equipment	1,230	1,085	760	268	1,990	1,353
Leased equipment	495	494	267	145	762	639
Street system	4,938	5,333	-	-	4,938	5,333
Total capital assets	<u>\$ 51,356</u>	<u>\$ 50,379</u>	<u>\$ 73,844</u>	<u>\$ 69,048</u>	<u>\$ 125,200</u>	<u>\$ 119,427</u>

Additional information on capital assets can be found in Note 4 to the financial statements.

**Debt Administration**

At year end, the City had \$52.4 million in long term debt outstanding compared to \$55.6 million last year. The City repaid approximately \$3.6 million of long term debt during the year and added approximately \$370,000 of leased assets.

Additional information on debt administration can be found in Note 6 to the financial statements.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

**Economic Factors and Next Year's Budgets and Rates**

The general fund's largest revenue sources are property taxes, charges for services, fines and forfeitures, franchise fees and state shared revenues. The State of Oregon does not have a sales tax resulting in local government's heavy reliance on property taxes and other locally generated revenues such as franchise fees, and fees for services. During the 1990's voters in the State of Oregon passed two ballot measures that reformed the property tax structure. The measures limited the amount of tax levies to \$5 per \$1,000 of real market value for education districts and \$10 per \$1,000 for general government districts such as cities and counties. Permanent tax rates were also established for certain local governments and limited the annual growth rate of taxable property to 3% of assessed value. The City's permanent tax rate is \$6.086 per \$1,000 of assessed value.

The City's overall budget for 2023-24 is \$97.0 million, which is a decrease of \$20.9 million from the prior year's amended budget. The budget includes a 3.0% cost of living adjustment for all City employees. The 2022-23 budget included a 2.0% cost of living adjustment for all City employees. The City includes amounts for the expected ending fund balance in each fund. Some of this is reflected in the Unappropriated Balance line item and some is reflected in the Reserve for Future Expenditure line item. The Unappropriated Balance allows the City a cash or working capital balance with which to begin the fiscal year following the current year. The City budgeted an unappropriated balance of \$1.1 million compared to \$1.1 million in the prior year. Reserves for Future Expenditure are intended to be saved for use in future fiscal years. This allows the City to accumulate funds for capital purchases or projects which need to be built up over multiple years. The adopted 2023-24 budget also includes a separate allocation for contingency of \$7.0 million.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Hermiston, Oregon's finances. Questions concerning any of the information provided in this report, requests for additional information, or to obtain a copy of this report for the Hermiston Urban Renewal Agency should be addressed to: Finance Department, City of Hermiston, 180 NE 2nd Street, Hermiston, OR 97838.

**BASIC FINANCIAL STATEMENTS**

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Current assets:			
Cash and cash equivalents	\$ 7,380,400	\$ 9,954,149	\$ 17,334,549
Investments	4,716,069	1,268,200	5,984,269
Cash and cash equivalents, restricted for customer deposits	79,491	283,017	362,508
Property taxes receivable	287,922	-	287,922
Accounts and other receivables, net	2,083,746	2,498,757	4,582,503
Prepaid items	270,422	67,227	337,649
Inventories	29,465	-	29,465
Total current assets	<u>14,847,515</u>	<u>14,071,350</u>	<u>28,918,865</u>
Noncurrent assets:			
Other post employment benefits asset	172,147	40,283	212,430
Capital assets:			
Nondepreciable	8,136,813	5,751,562	13,888,375
Depreciable, net	42,724,383	67,825,488	110,549,871
Lease assets, net	495,199	266,836	762,035
Total noncurrent assets	<u>51,528,542</u>	<u>73,884,169</u>	<u>125,412,711</u>
Total assets	<u>66,376,057</u>	<u>87,955,519</u>	<u>154,331,576</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred outflows related to pension	3,711,282	868,458	4,579,740
Deferred outflows related to OPEB	98,008	22,935	120,943
Deferred amounts on refunding	-	128,733	128,733
Total deferred outflows of resources	<u>3,809,290</u>	<u>1,020,126</u>	<u>4,829,416</u>
Total assets and deferred outflows of resources	<u>\$ 70,185,347</u>	<u>\$ 88,975,645</u>	<u>\$ 159,160,992</u>
<b><u>LIABILITIES:</u></b>			
Current liabilities:			
Accounts payable	\$ 1,625,906	\$ 1,111,640	\$ 2,737,546
Retainage payable	181,439	-	181,439
Accrued interest payable	136,819	127,859	264,678
Customer Deposits	31,936	283,017	314,953
Unearned revenue	-	217,145	217,145
Current portion of long-term liabilities	1,681,766	2,323,204	4,004,970
Total current liabilities	<u>3,657,866</u>	<u>4,062,865</u>	<u>7,720,731</u>
Noncurrent liabilities:			
Other post employment benefits liability	545,209	127,581	672,790
Net pension liability	8,899,499	2,082,526	10,982,025
Noncurrent portion of long-term liabilities	17,811,407	31,056,339	48,867,746
Total noncurrent liabilities	<u>27,256,115</u>	<u>33,266,446</u>	<u>60,522,561</u>
Total liabilities	<u>30,913,981</u>	<u>37,329,311</u>	<u>68,243,292</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred inflows related to pension	2,608,665	610,441	3,219,106
Deferred inflows related to OPEB	190,046	44,471	234,517
Total deferred inflows of resources	<u>2,798,711</u>	<u>654,912</u>	<u>3,453,623</u>
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	36,628,189	40,707,880	77,336,069
Restricted for:			
Debt service	81,765	-	81,765
Culture and recreation	291,138	-	291,138
Building inspection	454,981	-	454,981
Highway and streets	1,682,670	-	1,682,670
Public safety	45,738	-	45,738
Economic development	1,150,556	-	1,150,556
Utility systems	1,359,246	-	1,359,246
System development	572,976	-	572,976
Unrestricted	(5,794,604)	10,283,542	4,488,938
Total net position	<u>36,472,655</u>	<u>50,991,422</u>	<u>87,464,077</u>
Total liabilities, deferred inflows, and net position	<u>\$ 70,185,347</u>	<u>\$ 88,975,645</u>	<u>\$ 159,160,992</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 5,147,152	\$ 2,536,117	\$ 879,784	\$ 5,923,163	\$ 4,191,912	\$ -	\$ 4,191,912
Public safety	6,434,262	630,905	53,411	-	(5,749,946)	-	(5,749,946)
Highways and streets	1,930,439	-	-	2,048,682	118,243	-	118,243
Culture and recreation	5,116,423	1,089,874	441,759	302,019	(3,282,771)	-	(3,282,771)
Economic development	285,256	241,645	61,500	-	17,889	-	17,889
Interest on long-term obligations	488,469	-	-	-	(488,469)	-	(488,469)
Total governmental activities	19,402,001	4,498,541	1,436,454	8,273,864	(5,193,142)	-	(5,193,142)
<b>Business-type activities:</b>							
Water	3,729,528	6,395,437	-	-	-	2,665,909	2,665,909
Sewer	4,498,096	6,181,345	-	-	-	1,683,249	1,683,249
Electricity	8,676,357	11,313,445	-	-	-	2,637,088	2,637,088
Total business-type activities	16,903,981	23,890,227	-	-	-	6,986,246	6,986,246
Total primary government	\$36,305,982	\$ 28,388,768	\$ 1,436,454	\$ 8,273,864	(5,193,142)	6,986,246	1,793,104
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					7,438,431	-	7,438,431
Debt service					304,830	-	304,830
Payments in lieu of taxes					1,120,000	-	1,120,000
Franchise and transient room taxes					1,892,722	-	1,892,722
Investment earnings (losses)					212,058	57,298	269,356
Miscellaneous					342,284	-	342,284
Transfers					(2,890,103)	2,890,103	-
Total general revenues, transfers and gain on sale of capital assets					8,420,222	2,947,401	11,367,623
Change in net position					3,227,080	9,933,647	13,160,727
Net Position, beginning, as restated (see note 19)					33,245,575	41,057,775	74,303,350
Net Position, ending					\$ 36,472,655	\$ 50,991,422	\$ 87,464,077

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

**CITY OF HERMISTON, OREGON**

**FUND FINANCIAL STATEMENTS**

**June 30, 2023**

**Major Governmental Funds**

**Combined General Fund**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenues. Expenditures are primarily for general government operations, culture and recreation, and public safety.

**State Street Tax Fund**

The State Street Tax Fund accounts for revenues received from state gasoline taxes apportioned from the State of Oregon, as required by state law to ensure funds are used for street and roadway repair, maintenance, and improvement.

**Reserve Fund**

The Reserve Fund accounts for the money accumulated for long-term goals and projects of the City. Activities are financed directly by appropriations from the operating funds and with limited revenues directly from small reimbursement projects.

**City Hall Construction Fund**

The City Hall Construction Fund accounts for bond proceeds to be used to renovate the library basement and to build a new city hall.



**CITY OF HERMISTON, OREGON**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	<u>Combined General Fund</u>	<u>State Street Tax Fund</u>	<u>Reserve Fund</u>	<u>City Hall Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b><u>ASSETS:</u></b>						
Cash and cash equivalents	\$ 1,330,483	\$ 338,269	\$ 3,667,415	\$ -	\$ 2,123,724	\$ 7,459,891
Investments	1,863,165	-	2,852,904	-	-	4,716,069
Receivables (net of allowances for uncollectible):						
Property taxes	265,918	-	-	-	22,004	287,922
Intergovernmental and other	312,533	147,751	830,386	-	793,076	2,083,746
Advances to other funds	1,819	-	1,652,478	-	-	1,654,297
Prepaid Expenses	4,375	-	-	-	3,094	7,469
Total assets	<u>\$ 3,778,293</u>	<u>\$ 486,020</u>	<u>\$ 9,003,183</u>	<u>\$ -</u>	<u>\$ 2,941,898</u>	<u>\$ 16,209,394</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>LIABILITIES:</u></b>						
Accounts payable and accrued liabilities	\$ 577,779	\$ 28,072	\$ 623,680	\$ 42,128	\$ 354,247	\$ 1,625,906
Retainage payable	-	-	181,439	-	-	181,439
Deposits	17,736	7,500	-	-	6,700	31,936
Advances from other funds	-	-	-	519,007	1,135,290	1,654,297
Total liabilities	<u>595,515</u>	<u>35,572</u>	<u>805,119</u>	<u>561,135</u>	<u>1,496,237</u>	<u>3,493,578</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>						
Unavailable revenue	222,248	-	74,500	-	527,762	824,510
Total deferred inflows of resources	<u>222,248</u>	<u>-</u>	<u>74,500</u>	<u>-</u>	<u>527,762</u>	<u>824,510</u>
<b><u>FUND BALANCES (DEFICIT):</u></b>						
Nonspendable	6,194	-	-	-	3,094	9,288
Restricted	454,981	450,448	2,916,027	-	1,817,614	5,639,070
Committed	-	-	5,207,537	-	76,936	5,284,473
Unassigned	2,499,355	-	-	(561,135)	(979,745)	958,475
Total fund balances (deficit)	<u>2,960,530</u>	<u>450,448</u>	<u>8,123,564</u>	<u>(561,135)</u>	<u>917,899</u>	<u>11,891,306</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,778,293</u>	<u>\$ 486,020</u>	<u>\$ 9,003,183</u>	<u>\$ -</u>	<u>\$ 2,941,898</u>	<u>\$ 16,209,394</u>

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

**CITY OF HERMISTON, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2023**

<b>Fund balances - total governmental funds</b>	<b>\$ 11,891,306</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	50,861,196
Lease assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	495,199
Net pension liability, and the related deferred outflows and inflows, are not current financial resources or requirements, and therefore, are not reported in the funds.	(7,796,882)
Net other post employment benefits (OPEB) liability/asset, and the related deferred outflows and inflows, are not current financial resources or requirements, and therefore, are not reported in the funds.	(465,100)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	824,510
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(323,623)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(136,819)
Long-term liabilities, including bonds and unamortized premiums, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	(19,169,550)
Prepaid insurance uses current financial resources and, therefore, is not reported in the funds.	262,953
Inventory uses current financial resources and, therefore, is not reported in the funds.	29,465
<b>Net position of governmental activities</b>	<b>\$ 36,472,655</b>

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

**CITY OF HERMISTON, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2023**

	Combined General Fund	State Street Tax Fund	Reserve Fund	City Hall Construction Fund	Other Governmental Funds	Totals
<b><u>REVENUES:</u></b>						
Property taxes	\$7,109,407	\$ -	\$ -	\$ -	\$ 581,411	\$ 7,690,818
Payments in lieu of taxes	-	-	-	-	1,120,000	1,120,000
Transient room taxes	-	-	-	-	1,135,011	1,135,011
Franchise fees	757,711	-	-	-	-	757,711
Licenses and fees	6,220	-	-	-	-	6,220
Charges for services	3,021,820	-	-	-	949,310	3,971,130
Intergovernmental	3,157,775	1,563,027	1,216,094	-	1,285,659	7,222,555
Fines and forfeitures	278,062	-	-	-	-	278,062
System development charges	-	-	241,645	-	-	241,645
Capital grants	-	-	3,034,264	-	-	3,034,264
Contributions	-	-	36,406	-	22,621	59,027
Investment earnings	140,184	-	71,874	-	-	212,058
Miscellaneous	241,977	20,892	1,218	-	78,197	342,284
Total revenues	<u>14,713,156</u>	<u>1,583,919</u>	<u>4,601,501</u>	<u>-</u>	<u>5,172,209</u>	<u>26,070,785</u>
<b><u>EXPENDITURES:</u></b>						
Current:						
General government	3,846,180	-	194,912	-	598,164	4,639,256
Public safety	6,587,505	-	-	-	39,469	6,626,974
Culture and recreation	3,446,464	-	-	-	880,280	4,326,744
Economic development	-	-	-	-	361,256	361,256
Highways and streets	-	1,327,349	-	-	-	1,327,349
Capital outlay	-	-	2,026,494	1,048,879	-	3,075,373
Debt service	603,100	70,171	25,000	-	1,235,118	1,933,389
Total expenditures	<u>14,483,249</u>	<u>1,397,520</u>	<u>2,246,406</u>	<u>1,048,879</u>	<u>3,114,287</u>	<u>22,290,341</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>						
<b><u>OVER (UNDER) EXPENDITURES</u></b>	<u>229,907</u>	<u>186,399</u>	<u>2,355,095</u>	<u>(1,048,879)</u>	<u>2,057,922</u>	<u>3,780,444</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>						
Loan proceeds	-	-	-	-	-	-
Transfers in	1,875,446	-	3,594,549	645,000	333,861	6,448,856
Transfers out	(1,397,802)	(100,201)	(6,372,250)	-	(1,468,706)	(9,338,959)
	<u>477,644</u>	<u>(100,201)</u>	<u>(2,777,701)</u>	<u>645,000</u>	<u>(1,134,845)</u>	<u>(2,890,103)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	<u>707,551</u>	<u>86,198</u>	<u>(422,606)</u>	<u>(403,879)</u>	<u>923,077</u>	<u>890,341</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>2,252,979</u>	<u>364,250</u>	<u>8,546,170</u>	<u>(157,256)</u>	<u>(5,178)</u>	<u>11,000,965</u>
<b><u>FUND BALANCE (DEFICIT), ENDING</u></b>	<u>\$2,960,530</u>	<u>\$ 450,448</u>	<u>\$8,123,564</u>	<u>\$ (561,135)</u>	<u>\$ 917,899</u>	<u>\$ 11,891,306</u>

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

**CITY OF HERMISTON, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2023**

<b>Net change in fund balance - governmental funds</b>		<b>\$ 890,341</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(551,601)
Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.		1,432,754
Entering into right-to-use asset (lease) agreements increase long-term liabilities in the Statement of Net Position. Lease payments made are a use of financial resources in the governmental funds.		(195,987)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:</p>		
Change in inventory		5,543
Change in prepaid insurance		57,585
Change in compensated absences		176,417
Change in accrued interest payable		12,166
Change in pension liability and related deferred outflows and inflows		423,622
Change in OPEB liability and related deferred outflows and inflows		(1,157)
<p>Governmental funds do not report lease additions as expenditures. However, in the Statement of Activities, the value of the right-to-use lease asset is amortized over the life of lease and reported as amortization expense:</p>		
Lease asset additions	\$ 195,987	
Amortization expense	<u>(194,389)</u>	
		1,598
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:</p>		
Capital asset additions	3,455,480	
Depreciation expense	<u>(2,479,681)</u>	
		<u>975,799</u>
<b>Change in net position - governmental activities</b>		<b><u><u>\$ 3,227,080</u></u></b>

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

**CITY OF HERMISTON, OREGON**

**FUND FINANCIAL STATEMENTS**

**June 30, 2023**

**Proprietary Funds**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. Funds included are:

**Electricity Operations**

**Hermiston Energy Services Fund**

The Hermiston Energy Services Fund accounts for user fees for electrical use and other charges to the system. The proceeds are used to complete all services necessary to maintain and improve the electrical system of the City.

**Utility Operations**

**Utility Fund**

The Utility Fund accounts for user fees for water and recycled water use and connection charges to the system. The proceeds are used to complete all services necessary to maintain and improve the water and recycled water systems of the City.

**Regional Water Operations**

**Regional Water Fund**

The Regional Water Fund accounts for resources and expenditures related to producing, distributing, and billing for water consumed by the community and by industrial users.

**CITY OF HERMISTON, OREGON**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**June 30, 2023**

Business - Type Activities - Enterprise Funds

	Electricity Operations	Utility Operations	Regional Water Operations	Total
<b><u>ASSETS:</u></b>				
Current assets:				
Cash and cash equivalents	\$ 3,344,455	\$ 5,894,410	\$ 715,284	\$ 9,954,149
Investments	1,233,472	34,728	-	1,268,200
Restricted cash and cash equivalents	252,817	30,200	-	283,017
Receivables:				
Accounts, net	952,099	1,442,639	104,019	2,498,757
Prepaid items	3,818	58,868	4,541	67,227
Total current assets	<u>5,786,661</u>	<u>7,460,845</u>	<u>823,844</u>	<u>14,071,350</u>
Noncurrent assets:				
Other post employment benefits assets	3,263	33,759	3,261	40,283
Lease assets, net	-	266,836	-	266,836
Capital assets, net	15,664,296	47,830,982	10,081,772	73,577,050
Total noncurrent assets	<u>15,667,559</u>	<u>48,131,577</u>	<u>10,085,033</u>	<u>73,884,169</u>
Total assets	<u>21,454,220</u>	<u>55,592,422</u>	<u>10,908,877</u>	<u>87,955,519</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred outflows related to pension	70,345	727,809	70,304	868,458
Deferred outflows related to OPEB	1,858	19,220	1,857	22,935
Deferred amounts on refunding	128,733	-	-	128,733
Total deferred outflows of resources	<u>200,936</u>	<u>747,029</u>	<u>72,161</u>	<u>1,020,126</u>
Total assets and deferred outflows of resources	<u>\$ 21,655,156</u>	<u>\$ 56,339,451</u>	<u>\$ 10,981,038</u>	<u>\$ 88,975,645</u>
<b><u>LIABILITIES:</u></b>				
Current liabilities:				
Accounts payable	\$ 717,923	\$ 379,802	\$ 13,915	\$ 1,111,640
Accrued interest payable	33,446	94,413	-	127,859
Deposits	252,817	30,200	-	283,017
Unearned revenue	-	217,145	-	217,145
Current portion long-term liabilities	695,495	1,627,709	-	2,323,204
Total current liabilities	<u>1,699,681</u>	<u>2,349,269</u>	<u>13,915</u>	<u>4,062,865</u>
Noncurrent liabilities:				
Other post employment benefits liability	10,334	106,919	10,328	127,581
Net pension liability	168,684	1,745,255	168,587	2,082,526
Noncurrent portion of long-term liabilities	11,704,203	19,352,136	-	31,056,339
Total liabilities	<u>13,582,902</u>	<u>23,553,579</u>	<u>192,830</u>	<u>37,329,311</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred inflows related to pension	49,446	511,578	49,417	610,441
Deferred inflows related to OPEB	3,602	37,269	3,600	44,471
Total deferred inflows	<u>53,048</u>	<u>548,847</u>	<u>53,017</u>	<u>654,912</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	3,393,331	27,232,777	10,081,772	40,707,880
Unrestricted	4,625,875	5,004,248	653,419	10,283,542
Total net position	<u>8,019,206</u>	<u>32,237,025</u>	<u>10,735,191</u>	<u>50,991,422</u>
Total liabilities, deferred inflows, and net position	<u>\$ 21,655,156</u>	<u>\$ 56,339,451</u>	<u>\$ 10,981,038</u>	<u>\$ 88,975,645</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

	Business - Type Activities - Enterprise Funds			Totals
	Electricity Operations	Utility Operations	Regional Water Operations	
<b><u>OPERATING REVENUES:</u></b>				
Charges for services - electricity	\$ 11,313,445	\$ -	\$ -	\$ 11,313,445
Charges for services - sewer	-	6,181,345	-	6,181,345
Charges for services - water	-	5,300,428	1,095,009	6,395,437
Total operating revenues	<u>11,313,445</u>	<u>11,481,773</u>	<u>1,095,009</u>	<u>23,890,227</u>
<b><u>OPERATING EXPENSES:</u></b>				
Electricity	7,497,980	-	-	7,497,980
Sewer	-	3,137,432	-	3,137,432
Water	-	2,169,313	727,377	2,896,690
Depreciation and amortization	799,969	1,512,751	265,568	2,578,288
Total operating expenses	<u>8,297,949</u>	<u>6,819,496</u>	<u>992,945</u>	<u>16,110,390</u>
<b><u>OPERATING INCOME</u></b>	<u>3,015,496</u>	<u>4,662,277</u>	<u>102,064</u>	<u>7,779,837</u>
<b><u>NON-OPERATING INCOME (EXPENSES):</u></b>				
Investment earnings	54,532	2,766	-	57,298
Interest expense	(378,408)	(415,183)	-	(793,591)
Total non-operating income (expenses)	<u>(323,876)</u>	<u>(412,417)</u>	<u>-</u>	<u>(736,293)</u>
<b><u>NET INCOME BEFORE TRANSFERS</u></b>	2,691,620	4,249,860	102,064	7,043,544
<b><u>TRANSFERS:</u></b>				
Transfers in	311,768	3,250,798	2,809,699	6,372,265
Transfers out	(752,022)	(2,530,140)	(200,000)	(3,482,162)
<b><u>CHANGE IN NET POSITION</u></b>	2,251,366	4,970,518	2,711,763	9,933,647
<b><u>NET POSITION, BEGINNING</u></b>	5,767,840	27,266,507	8,023,428	41,057,775
<b><u>NET POSITION, ENDING</u></b>	<u>\$ 8,019,206</u>	<u>\$ 32,237,025</u>	<u>\$ 10,735,191</u>	<u>\$ 50,991,422</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

	Business - Type Activities - Enterprise Funds			
	Electricity Operations	Utility Contributions	Regional Water Operations	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users	\$ 11,112,304	\$ 11,210,899	\$ 1,192,120	\$ 23,515,323
Payments to suppliers and others	(7,378,471)	(3,166,261)	(568,488)	(11,113,220)
Payments to employees for salaries and benefits	(200,665)	(2,194,045)	(208,659)	(2,603,369)
Net cash provided by operating activities	<u>3,533,168</u>	<u>5,850,593</u>	<u>414,973</u>	<u>9,798,734</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers in	311,768	3,250,798	2,809,699	6,372,265
Transfers out	(752,022)	(2,530,140)	(200,000)	(3,482,162)
Net cash provided by (used for) noncapital financing activities	<u>(440,254)</u>	<u>720,658</u>	<u>2,609,699</u>	<u>2,890,103</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Acquisition of capital assets	(1,083,084)	(3,451,241)	(2,839,615)	(7,373,940)
Principal paid on long-term obligations	(705,495)	(1,278,002)	-	(1,983,497)
Interest	(364,105)	(415,183)	-	(779,288)
Net cash provided by (used for) capital and related financing activities	<u>(2,152,684)</u>	<u>(5,144,426)</u>	<u>(2,839,615)</u>	<u>(10,136,725)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Sales of investments	616,755	1,356,803	-	1,973,558
Purchases of investments	(633,457)	(1,357,273)	-	(1,990,730)
Investment earnings	54,532	2,766	-	57,298
Net cash provided by investing activities	<u>37,830</u>	<u>2,296</u>	<u>-</u>	<u>40,126</u>
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>				
	978,060	1,429,121	185,057	2,592,238
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING</u></b>				
	2,619,212	4,495,489	530,227	7,644,928
<b><u>CASH AND CASH EQUIVALENTS, ENDING</u></b>				
	<u>\$ 3,597,272</u>	<u>\$ 5,924,610</u>	<u>\$ 715,284</u>	<u>\$ 10,237,166</u>
<b><u>COMPRISED AS FOLLOWS:</u></b>				
Cash and cash equivalents	\$ 3,344,455	\$ 5,894,410	\$ 715,284	\$ 9,954,149
Restricted cash and cash equivalents - current	252,817	30,200	-	283,017
	<u>\$ 3,597,272</u>	<u>\$ 5,924,610</u>	<u>\$ 715,284</u>	<u>\$ 10,237,166</u>

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



**CITY OF HERMISTON, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

	Business - Type Activities - Enterprise Funds			
	Electricity		Regional	
	Operations	Utility	Water	Totals
	Fund	Operations	Operations	
<b><u>Reconciliation of operating income to net cash provided by operating activities:</u></b>				
Operating income	\$ 3,015,496	\$ 4,662,277	\$ 102,064	\$ 7,779,837
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	799,969	1,512,751	265,568	2,578,288
(Increase) decrease in assets and deferred outflows:				
Receivables	(234,349)	(268,873)	97,111	(406,111)
Prepaid	(639)	(11,481)	(592)	(12,712)
Other post employment benefits asset	324	3,544	417	4,285
Deferred outflows - pension	8,554	92,603	10,593	111,750
Deferred outflows - OPEB	188	2,051	240	2,479
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	(75,450)	18,742	(39,926)	(96,634)
Customer Deposits	33,208	1,464	-	34,672
Unearned revenues	-	(3,465)	-	(3,465)
Other post employment benefits liability	(1,585)	(17,021)	(1,893)	(20,499)
Net pension liability	36,487	370,639	33,042	440,168
Deferred inflows - pension	(50,287)	(525,467)	(52,841)	(628,595)
Deferred inflows - OPEB	1,252	12,829	1,190	15,271
Net cash provided by operating activities	<u>\$ 3,533,168</u>	<u>\$ 5,850,593</u>	<u>\$ 414,973</u>	<u>\$ 9,798,734</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

## **CITY OF HERMISTON, OREGON**

### **Notes to Basic Financial Statements**

**June 30, 2023**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City's annual comprehensive financial report includes the accounts of all City operations. The financial statements of the City of Hermiston, Oregon have been prepared in conformity with generally accepted accounting policies as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

##### **A. Scope of reporting entity:**

The City of Hermiston, Oregon, operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), highway and streets, electricity, water and sanitation services, culture-recreation services, public improvements, inspection, planning and zoning, airport, and general administrative services.

Hermiston Urban Renewal Agency – The Agency was formed by the City Council in August 2013 for the purpose of revitalizing the downtown core area. Pursuant to ORS 457.055, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency is reported as blended governmental fund.

Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. The Hermiston Urban Renewal Agency has a June 30 year-end. The Hermiston Urban Renewal Agency is governed by the City Council and the city has operational responsibility for the agency. The Urban Renewal Agency financial statements may be obtained at the City's administrative offices.

The City and the Port of Umatilla, Oregon are co-owners of a regional water system. Each entity retains an undivided interest in assets and is responsible for specific liabilities. Each entity reports financial results separately in its financial statements.

##### **B. Government-wide and fund financial statements:**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report activity as a whole. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed. Instead the statements distinguish between governmental activities and business-type activities. Governmental activities are generally supported by taxes and City general revenues. Business-type activities are generally supported by fees charged to external customers.

The statement of activities separates program revenues from general revenues. Program revenues include: 1) charges for goods, services, and privileges, 2) operating grants and contributions, 3) capital grants and contributions.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**B. Government-wide and fund financial statements (continued):**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Measurement focus, basis of accounting, and financial statement presentation:**

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Government-wide and proprietary fund financial statements are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Under accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

## CITY OF HERMISTON, OREGON

### Notes to Basic Financial Statements

June 30, 2023

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued):**

Unavailable revenue arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and municipal court revenues not deemed available to financial operation of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Unearned revenue is also reported as a liability on the Government-wide financial statements. In subsequent periods, when other revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability is removed and revenue is recognized.

##### **D. Fund Types and Major Funds:**

###### **Governmental Funds**

Governmental funds are generally used to account for activities supported by taxes and general City revenues. The City reports the following major governmental funds:

###### **General Fund:**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

###### **State Street Tax Fund:**

The State Street Tax Fund is used to account for the City's share of motor fuel tax revenues and special grants that are legally restricted to the maintenance of the streets within the City.

###### **Reserve Fund:**

The Reserve Fund is used to account for grants, room taxes, and transfers designated for specific purposes. Allocations are maintained to ensure funds are expended according to restrictions imposed at the receipt of the funds or by later City designations of allowable uses of these funds.

###### **City Hall Construction Fund:**

The City Hall Construction Fund is used to account for bond proceeds received and to track expenditures related to the renovation of the library basement and construction of a new city hall.

###### **Proprietary Funds**

Proprietary Funds account for operations which are financed and operated with the intent that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing goods and services in connection with the fund's principal purpose.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**D. Fund Types and Major Funds (continued):**

The City reports the following major proprietary funds:

**Utility Fund:**

The Utility Fund is used to account for operations of the City’s water and sewer utilities.

**Energy Fund:**

The Energy Fund is used to account for operations of the City’s electricity distribution system.

**Regional Water Fund:**

The Regional Water Fund is used to account for operation of the regional water system. The regional water system treats and distributes water from the Columbia River for city use and sale to commercial users.

**E. Capital assets and long-term liabilities:**

The City capitalizes assets purchased or constructed with an individual cost more than \$5,000 and an estimated useful life in excess of one year. Not all items reported as capital outlay meet these requirements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated acquisition values on the date donated.

Capital assets are comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported on their respective fund financial statements. Capital assets are depreciated using the straight-line method. Maintenance and repairs are charged to expenditures in various budgetary funds as incurred and are not capitalized. Upon disposal, the cost and applicable accumulated depreciation are removed from the respective account, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Electricity distribution system	33 years
Street system	20 to 50 years
Water and sewer system	25 to 50 years
Water and sewer system	10 to 25 years
Machinery and equipment	5 to 10 years

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and the fund financial statements of the proprietary funds. Bond premiums and discounts are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as expenses of the period incurred in the fund financial statements of governmental funds.

**F. Cash and cash equivalents:**

For the purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund’s portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

**G. Investments:**

Investments are stated at share value, which approximates fair value.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**H. Inventories and Prepaid Items:**

Inventory and prepaid items such as insurance are recorded in governmental funds using the purchases method and are expensed when purchased. The amounts are converted to the consumption method for the full accrual government-wide and proprietary fund statements and are expensed when the prepaid items and inventory are used. Inventory in the governmental activities consists of airport fuel and is determined by physical count and stated at the lower of cost (first in, first out) or market.

**I. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**J. Compensated Absences:**

The City allows employees to accumulate earned but unused vacation leave. Vested or accumulated vacation leave is recorded as an expense and liability in the government-wide and proprietary financial statements as the benefits accrue to employees. An expense and liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements. Compensated absences of governmental activities are generally liquidated by the general fund.

**K. Interfund Transactions:**

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**L. Property Taxes:**

Umatilla County assesses, collects, and distributes property taxes for all local governments within the County. Property taxes are billed in October of each year. Unpaid personal and real property taxes become liens against the property on January 1 and July 1, respectively. Property taxes are payable in three installments due November 15, February 15, and May 15. A 3% discount is allowed for full payment by November 15. Interest at 16% annually is charged for late payments.

**M. Income Taxes:**

The City is a municipal corporation exempt from federal and state income taxes.

**N. Deferred Outflows/Inflows of Resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. The deferred amount relating to pensions and other post-employment benefits (OPEB) is recognized as an outflow of resources in the period when the City recognizes expense/expenditures. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**N. Deferred Outflows/Inflows of Resources (continued):**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in this category. Unavailable revenue from property taxes in the General Fund, grants in the Reserve Fund, and municipal court in other governmental funds is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions and OPEB in the government-wide Statement of Net Position and in the proprietary funds Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period with the City recognizes pension and OPEB expense.

**O. Pensions:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Pension contributions of governmental activities are generally liquidated by the general and street tax funds.

**P. Post-employment Health Care Benefits:**

The City does not provide any significant post-employment health care benefits. Retired employees are allowed to continue their group health care insurance at their own expense.

**Q. Credit Risk:**

The City grants credit to utility customers, substantially all of whom are local residents.

**R. Net Position:**

In the government-wide financial statements and proprietary funds financial statements, net positions are reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and by enabling legislation. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**S. Fund Balance:**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items, advances to other funds, and inventory.

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by enabling legislation.

Committed – Includes amounts that have been committed by resolution by the City Council which is the City’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by council action who authorizes, by resolution, the City Manager or Finance Director to assign fund balance. Assigned fund balance is also established by the Council through adoption or amendment of the general fund budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category. The general fund should be the only fund that reports a positive unassigned fund balance amount. Because a negative residual amount should not be reported for restricted, committed, or assigned fund balances in any fund, it may be necessary to report a negative unassigned fund balance.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources.

The City's policy is to maintain a General Fund minimum unrestricted fund balance (which includes: committed, assigned, and unassigned fund balances) of 15% of General Fund annual operating expenditures. Additionally, it is the City's policy to maintain minimum working capital (defined as current assets less current liabilities) sufficient to meet forty-five days operating expenses in the Utility Fund and Energy Fund.

**T. Subscription-Based Information Technology Arrangements:**

The City records a subscription asset and subscription liability when it participates in Subscription Based Information Technology Arrangements (SBITA) with a subscription term lasting longer than 12 months. The subscription term includes periods included within an option to extend if it is reasonably certain that the City will exercise the option. The City regularly reviews its SBITAs to ensure that the software provides the best value. Accordingly, the City does not consider it reasonably certain that any software subscriptions will be extended. SBITAs with subscription terms longer than 12 months are not deemed material to the financial statements.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 2 – CASH AND INVESTMENTS:**

At June 30, 2023 cash and investments consisted of the following:

Cash	\$ 11,021,703
Cash equivalents	6,675,354
Total cash and cash equivalents	<u>\$ 17,697,057</u>
Cash and cash equivalents are displayed on the financial statements as:	
Cash and cash equivalents	\$ 17,334,549
Restricted cash and cash equivalents	362,508
Total cash and cash equivalents	<u>\$ 17,697,057</u>

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	0.45	\$ 6,675,354
Government Cash Reserves Fund	-	12,127
Corporate Bonds (22% BBB+, 34% A-, 15% A+, 14% AA-, 15% AA+)	0.78	2,259,518
Municipal Bonds	0.17	711,097
US Agencies (All rated agencies are AA+)	0.91	2,955,033
Accrued Interest	-	46,494
	<u>2.31</u>	<u>12,659,623</u>
Less amounts classified as cash equivalents	<u>(0.45)</u>	<u>(6,675,354)</u>
Total investments	<u>1.86</u>	<u>\$ 5,984,269</u>

**Restricted Cash**

Current restricted cash includes \$314,953 of customer deposits and \$47,555 in police evidence.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City’s deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2023, the book value of the City’s deposits were \$11,021,703 and the bank balance was \$12,166,470. \$11,916,470 of the City’s bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 2 – CASH AND INVESTMENTS (continued):**

Fair Value Hierarchy – Investments

The City categorizes fair value measurements within the hierarchy established by GASB Statement 72. The hierarchy is based on the inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical instruments. The City considers US government agency obligations to be level 1. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations in which all significant inputs are observable, and level 3 inputs are significant unobservable input, the LGIP is not required to be categorized. The City considers all other investments other than LGIP and US Government agencies to be level 2.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes, Chapter 294, authorizes the City to invest in obligations of the United States Treasury and United States Government agencies and instrumentalities, certain certificates of deposit and bankers’ acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities.

All investments of the City are made in accordance with Oregon Revised Statutes Chapter 294. Any revisions or extensions of these sections of ORS Chapter 294 are assumed to be part of the City’s Investment Policy immediately upon being enacted.

The City’s minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investor’s Services, Standard & Poors, and Fitch Ratings Service, respectively.

The following table limits exposures among investments permitted by this policy:

Issue Type	Maximum % of Holdings	Minimum Ratings Moody's/S&P/ Fitch
US Treasury Obligations	100%	NONE
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	33%	-
Corporate Bonds	35%	AA,Aa2, or AA
Issuer % per issue	5%	-
Municipal Bonds	10%	AA,Aa2, or AA
Oregon, California, Idaho, Washington		-
Issuer % per issue	25%	-
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
Bank Time Deposits/Savings(1)	50%	-
Accounts/Certificates of Deposit(1)		
Per Institution	25%	-

(1) As authorized by ORS 294.035(3)(d)

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 2 – CASH AND INVESTMENTS (continued):**

**Interest Rate Risk – Investments**

To the extent possible, investments are matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City does not invest in securities maturing more than five years from the date of settlement. The weighted average final maturity of the City’s portfolio cannot exceed 3 years at any time.

**Concentration of Credit Risk – Investments**

The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in mutual funds, external investment pools, other pooled investments or those issued and explicitly guaranteed by the U.S. Government. At June 30, 2023 the City does not have investments exposed to concentration of credit risk. Investments in Corporate bonds cannot exceed 5% per issue by City policy.

**Custodial Credit Risk – Investments**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker/dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City’s investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian in a segregated account. For each transaction, the broker or securities dealer issues a confirmation ticket to the City listing the specific instrument, issue, rating, coupon, maturity, CUSIP number, purchase or sale price, yield, transaction date, and other pertinent information. At June 30, 2023, the City does not have investments exposed to custodial credit risk.

**Investment Policies**

The City has adopted the following investment policy to address the risks listed above:

Permitted investments include: US Treasury obligations, US agency obligations, Corporate bonds, the Oregon Short Term Fund, bank time deposits and savings accounts.

All bank demand deposits and time deposits shall be held in qualified Oregon depositories in accordance with ORS 295. The maximum portfolio average maturity shall be three years.

**NOTE 3 – ALLOWANCE FOR DOUBTFUL ACCOUNTS:**

An allowance for doubtful accounts has been established in the Utility Fund for \$142,844 and the Energy Services Fund for \$23,443. All other accounts are considered fully collectible. Accordingly, no additional provision for estimated uncollectible accounts has been established.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 4 – CAPITAL ASSETS:**

The changes in capital assets for the governmental activities for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Governmental activities:</u></b>				
Capital Assets, non-depreciable:				
Land	\$ 3,558,310	\$ -	\$ -	\$ 3,558,310
Construction in progress	11,778,988	2,856,726	(10,057,211)	4,578,503
Total capital assets, non-depreciable	<u>15,337,298</u>	<u>2,856,726</u>	<u>(10,057,211)</u>	<u>8,136,813</u>
Capital assets, depreciable:				
Buildings and improvements	43,033,096	10,101,387	-	53,134,483
Machinery and equipment	4,431,087	418,101	-	4,849,188
Street system	19,544,360	136,477	-	19,680,837
Total capital assets, depreciable	<u>67,008,543</u>	<u>10,655,965</u>	<u>-</u>	<u>77,664,508</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,851,901)	(1,725,958)	-	(16,577,859)
Machinery and equipment	(3,361,730)	(257,475)	-	(3,619,205)
Street system	(14,246,813)	(496,248)	-	(14,743,061)
Total accumulated depreciation	<u>(32,460,444)</u>	<u>(2,479,681)</u>	<u>-</u>	<u>(34,940,125)</u>
Net depreciable capital assets	<u>34,548,099</u>	<u>8,176,284</u>	<u>-</u>	<u>42,724,383</u>
Leased equipment	818,383	195,987	-	1,014,370
Less accumulated amortization	<u>(324,782)</u>	<u>(194,389)</u>	<u>-</u>	<u>(519,171)</u>
Net leased capital assets	<u>493,601</u>	<u>1,598</u>	<u>-</u>	<u>495,199</u>
Net capital assets	<u>\$ 50,378,998</u>	<u>\$ 11,034,608</u>	<u>\$ (10,057,211)</u>	<u>\$ 51,356,395</u>

Depreciation and amortization expense is allocated to governmental functions as follows:

Governmental activities:

General government	\$ 750,656
Public safety	152,721
Highways and streets	633,252
Culture and recreation	1,137,441
Total depreciation and amortization - governmental activities	<u>\$ 2,674,070</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 4 – CAPITAL ASSETS (continued):**

The changes in capital assets for the business-type activities for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Business-type activities:</u></b>				
Capital Assets, non-depreciable:				
Land	\$ 1,079,743	\$ -	\$ -	\$ 1,079,743
Water rights	-	66,000	-	66,000
Construction in progress	1,076,732	5,840,159	(2,311,072)	4,605,819
Total capital assets, non-depreciable	<u>2,156,475</u>	<u>5,906,159</u>	<u>(2,311,072)</u>	<u>5,751,562</u>
Capital assets, depreciable:				
Utility Systems and buildings	80,221,911	2,413,952	-	82,635,863
Electrical system	25,846,406	1,083,084	-	26,929,490
Equipment and vehicles	2,213,794	107,367	(20,700)	2,300,461
Total capital assets, depreciable	<u>108,282,111</u>	<u>3,604,403</u>	<u>(20,700)</u>	<u>111,865,814</u>
Less accumulated depreciation for:				
Utility Systems and buildings	(29,654,363)	(1,580,958)	-	(31,235,321)
Electrical system	(10,465,225)	(799,969)	-	(11,265,194)
Equipment and vehicles	(1,416,333)	(144,178)	20,700	(1,539,811)
Total accumulated depreciation	<u>(41,535,921)</u>	<u>(2,525,105)</u>	<u>20,700</u>	<u>(44,040,326)</u>
Net depreciable capital assets	<u>66,746,190</u>	<u>1,079,298</u>	<u>-</u>	<u>67,825,488</u>
Leased equipment	256,248	174,449	-	430,697
Less accumulated amortization	<u>(110,678)</u>	<u>(53,183)</u>	<u>-</u>	<u>(163,861)</u>
Net leased capital assets	<u>145,570</u>	<u>121,266</u>	<u>-</u>	<u>266,836</u>
Net capital assets	<u>\$ 69,048,235</u>	<u>\$ 7,106,723</u>	<u>\$ (2,311,072)</u>	<u>\$ 73,843,886</u>

Depreciation and amortization expense is allocated to governmental functions as follows:

Business-type activities:

Water	\$ 567,270
Sewer	945,481
Electric	799,969
Regional Water	265,568
Total depreciation and amortization - business-type activities	<u>\$ 2,578,288</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 5 – RISK MANAGEMENT:**

The City pays claims for unemployment compensation costs when billed by the state. The cost to the City should they be forced to terminate a group of employees has not been determined.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

**NOTE 6 – LONG-TERM DEBT:**

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Balance <u>June 30, 2022</u>	Increases	Decreases	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Governmental activities:					
Principal Transactions:					
Governmental bonds					
2011 Refunding regional water bonds	\$ 725,000	\$ -	\$ (295,000)	\$ 430,000	\$ 300,000
2011 Refunding regional water premium	29,736	-	(9,912)	19,824	9,912
2013 Pool bonds	2,215,000	-	(145,000)	2,070,000	155,000
2013 Pool premium	69,762	-	(6,342)	63,420	6,342
2017 HURA bonds	1,190,000	-	(65,000)	1,125,000	65,000
2017 HURA premium	36,118	-	(2,455)	33,663	2,455
2017 TPA bonds	1,705,000	-	(90,000)	1,615,000	95,000
2017 TPA premium	52,087	-	(3,542)	48,545	3,542
2020 City hall bonds	8,580,000	-	(175,000)	8,405,000	185,000
2020 City hall premium	610,769	-	(102,874)	507,895	95,380
Total governmental bonds	<u>15,213,472</u>	<u>-</u>	<u>(895,125)</u>	<u>14,318,347</u>	<u>917,631</u>
Governmental notes payable					
TYMCO, Inc. sweeper	101,799	-	(32,627)	69,172	33,916
Bank of the West chipper	18,155	-	(8,705)	9,450	9,450
Umatilla Electric Cooperative	225,000	-	(25,000)	200,000	25,000
Bank of Eastern Oregon	60,266	-	(60,266)	-	-
Oregon Business Development Dept.	4,238,049	-	(246,529)	3,991,520	254,146
Total Governmental notes payable	<u>4,643,269</u>	<u>-</u>	<u>(373,127)</u>	<u>4,270,142</u>	<u>322,512</u>
Other Governmental long-term obligations					
Enterprise Fleet vehicle leases	549,576	195,987	(164,502)	581,061	182,725
Compensated absences	500,040	330,113	(506,530)	323,623	258,898
Total governmental activities	<u>\$ 20,906,357</u>	<u>\$ 526,100</u>	<u>\$(1,939,284)</u>	<u>\$ 19,493,173</u>	<u>\$ 1,681,766</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 6 – LONG-TERM DEBT (continued):**

Long-term liability activity for the year ended June 30, 2023 was as follows (continued):

	Balance <u>June 30, 2022</u>	Increases	Decreases	Balance <u>June 30, 2023</u>	Due Within <u>One Year</u>
Business - type activities :					
Enterprise bonds					
2014 Sewer and water bonds	\$ 4,040,000	\$ -	\$ (155,000)	\$ 3,885,000	\$ 160,000
2014 Sewer and water premium	189,828	-	(10,546)	179,282	10,546
2016 Electric bonds	12,455,000	-	(660,000)	11,795,000	650,000
2016 Electric premium	650,193	-	(45,495)	604,698	45,495
2017 Water bonds	2,545,000	-	(135,000)	2,410,000	140,000
2017 Water premium	77,669	-	(5,281)	72,388	5,281
2020 Sewer refunding bonds	13,135,000	-	(790,000)	12,345,000	820,000
2020 Sewer refunding premiums	2,017,735	-	(339,854)	1,677,881	315,097
Total enterprise bonds	<u>35,110,425</u>	<u>-</u>	<u>(2,141,176)</u>	<u>32,969,249</u>	<u>2,146,419</u>
Other Business-type long-term obligations					
Enterprise Fleet vehicle leases	166,109	174,449	(45,068)	295,490	84,942
Compensated absences	86,506	149,951	(121,653)	114,804	91,843
Total business-type activities	<u>\$ 35,363,040</u>	<u>\$ 324,400</u>	<u>\$ (2,307,897)</u>	<u>\$ 33,379,543</u>	<u>\$ 2,323,204</u>
Total City	<u>\$ 56,269,397</u>	<u>\$ 850,500</u>	<u>\$ (4,247,181)</u>	<u>\$ 52,872,716</u>	<u>\$ 4,004,970</u>

The City is subject to a debt limit of 3% of the real market value of taxable property within its boundaries. The limit does not apply to debt issued to finance specified capital improvements. For the year ended June 30, 2023, the City's legal debt margin, the debt limit less applicable debt, was \$57,679,180.

**Bonds Payable:**

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues.

Several of the City's long-term debt agreements require interest rates to increase with the passage of time. Bonds reported in this section show their range of interest rates from inception to final repayment. All interest rates vary according to their respective agreements.



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 6 – LONG-TERM DEBT (continued):**

**Bonds Payable (continued):**

In October 2011, the City issued Water Refunding Bonds valued at \$3,390,896 with interest rates ranging from 2.0% to 4.0% to provide resources to retire refunding bonds issued in 2000 with a face value of \$3,275,000. The City completed this redemption to reduce its total debt service payments over the next thirteen years by approximately \$541,000 and to obtain an economic gain of approximately \$449,000. The economic gain is the difference between the present value of the old and new debt service as estimated by the City's financial advisors.

In April 2013, the City issued Full Faith and Credit Refunding Obligations valued at \$3,334,544 with interest rates ranging from 0.45% to 4.00% to provide resources to retire general obligation bonds issued in March 2003 with a face value of \$3,635,000 that financed construction of an aquatic center. The City completed this redemption to reduce its total debt service payments over the next twenty years by approximately \$600,000 and to obtain an economic gain of approximately \$464,000. The economic gain is the difference between the present value of the old and new debt service as estimated by the City's financial advisors.

In March 2017, the City issued Full Faith and Credit Obligations of \$1,475,000 with interest rates ranging from 3.0% to 3.5% to finance projects described in the Hermiston Urban Renewal Agency plan. The City in turn entered into an agreement with the Hermiston Urban Renewal Agency (HURA) for repayment of the obligations. The City has elected to report the obligations as a direct debt of the Hermiston Urban Renewal Agency (a blended component unit), which recognizes that HURA is directly responsible for the debt payments.

In March 2017, the City issued Full Faith and Credit Obligations of \$2,120,000 with interest rates ranging from 3.0% to 3.5% to finance capital improvements for the Eastern Oregon Trade and Event Center (EOTEC). The debt proceeds were passed through to EOTEC upon issuance. Repayment of the obligations is expected to come from the TPA capital assessment collected by the City.

In September 2020, the City issued Full Faith and Credit Obligations of \$8,865,000 with interest rates ranging from 2.5% to 4.0% to finance replacement of city hall.

In April 2014, the City issued Water and Sewer Revenue Bonds valued at \$4,715,000 with interest rates ranging from 4.0% to 5.0% to provide resources to construct a wastewater treatment and recycled water plant.

The City issued electric system revenue refunding bonds in September 2016 for \$15,530,000 with interest rates ranging from 1.3% to 4.0% to retire bonds issued in 2005 in a current refunding and to provide funds for electric system improvements. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$228,854. This difference and a bond premium of \$909,893 are being charged to operations over the life of the debt. The refunding resulted in a reduction in debt service over the next sixteen years of approximately \$2.05 million and an economic gain of approximately \$1.68 million. The economic gain is the difference between the present value of the old debt and new debt service as estimated by the City's financial advisors.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 6 – LONG-TERM DEBT (continued):**

**Bonds Payable (continued):**

In March 2017, the City issued Water and Sewer Full Faith and Credit Obligations of \$3,160,000 with interest rates ranging from 3.0% to 3.5% to purchase and install new equipment and machinery at the sewer treatment plant and to purchase and replace all water meters in the City with remote-read meters.

In September 2020, the City issued full faith and credit bonds of \$14,830,000 with interest rates of 4.0% to provide resources to retire two notes payable to Oregon Department of Environmental Quality with face values totaling \$21,100,000. The City completed this redemption to reduce its total debt service payments over the next fifteen years by approximately \$1,195,000 and to obtain an economic gain of approximately \$1,159,000. The economic gain is the difference between the present value of the old and new debt service as estimated by the City's financial advisors.

Future debt service requirements for bonds-payable are as follows:

Fiscal Year Ending June 30,	Total enterprise bonds		Total governmental bonds	
	Principal	Interest	Principal	Interest
2024	\$ 2,176,419	\$ 1,125,113	\$ 917,631	\$ 435,457
2025	2,216,408	1,060,912	760,060	409,007
2026	2,256,043	993,862	647,470	388,681
2027	2,305,590	921,563	659,766	369,882
2028	2,350,504	846,062	682,172	353,506
2028-2032	12,226,137	3,050,763	3,539,010	1,445,356
2033-2037	8,797,056	812,350	2,407,238	921,812
2038-2042	641,092	25,000	1,790,000	516,875
2043-2047	-	-	2,025,000	265,625
2048-2052	-	-	890,000	33,500
	<u>\$ 32,969,249</u>	<u>\$ 8,835,625</u>	<u>\$ 14,318,347</u>	<u>\$ 5,139,701</u>

**Notes Payable:**

In March 2021, the City borrowed \$250,000 from Umatilla Electric Cooperative, the recipient of a USDA Rural Development Grant for the purpose of establishing a revolving loan fund, for the purpose of rebuilding a playground. The loan will be repaid in ten \$25,000 installments without interest. Interest has not been imputed because it is not deemed material to the financial statements. The loan is collateralized by all furniture, fixtures and equipment. In the event of default, the lender may declare the outstanding loan immediately due and payable.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 6 – LONG-TERM DEBT (continued):**

**Notes Payable (continued):**

The City borrowed \$4,477,188 with an interest rate of 3.09% from Oregon Business Development Department (OBDD) to upgrade their water system. Annual payments of principal and interest are due each December and final repayment is expected in 2035. The loan will be repaid from monies from a long term rural enterprise zone agreement between the City and a local business and an additional \$2 million of monies from the County out of their portion of the long term rural enterprise zone agreement. The agreement has been pledged as collateral for the loan.

The City entered into a purchase agreement for a street sweeper for \$192,430 with an effective interest rate of 3.95%. Annual payments of \$36,649 are due in May of each year and the final payment is expected in May of 2025. The equipment is collateral on the agreement.

The City entered into a purchase agreement for a chipper for \$40,600 with an effective interest rate of 6.8%. Annual payments of \$9,878 are due in July of each year and the final payment is expected in July of 2024. The equipment is collateral on the agreement.

The City entered into a revolving line of credit loan agreement with Bank of Eastern Oregon in September of 2021. The proceeds are intended to bridge the cash flow requirement for construction of the South Hermiston Industrial Park. A single loan disbursement was drawn during the fiscal year in the amount of \$60,266. Proceeds received were repaid in full, including interest, in September 2022, no other disbursements are expected to be made.

Future debt service requirements for notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2024	\$ 322,512	\$ 126,498
2025	322,256	116,878
2026	295,095	107,389
2027	303,441	99,043
2028	312,045	90,439
2028-2032	1,648,881	313,542
2033-2037	1,065,912	66,542
	<u>\$ 4,270,142</u>	<u>\$ 920,331</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**  
**June 30, 2023**

**NOTE 7 – LEASES:**

**Lease Liability:**

The City reports the present value of payments expected to be made during the lease term as a lease liability. The City's lease payments are for stated amounts and do not have variable payments. The City guarantees that book value of the vehicles will not exceed wholesale value at the end of the lease term. The City intends to purchase every leased vehicle for book value at the end of the lease making its guarantee inapplicable. The City's future maturities for lease liabilities are as follows:

Governmental activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 182,725	\$ 19,916	\$ 202,641
2025	207,027	12,055	219,082
2026	73,588	6,333	79,921
2027	82,203	3,221	85,424
2028	35,518	371	35,889
Total governmental activities	<u>\$ 581,061</u>	<u>\$ 41,896</u>	<u>\$ 622,957</u>

Business-type activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 84,942	\$ 12,854	\$ 97,796
2025	54,967	9,411	64,378
2026	50,964	7,006	57,970
2027	44,314	4,498	48,812
2028	50,352	2,511	52,863
2029-2033	9,951	46	9,997
Total business-type activities	<u>\$ 295,490</u>	<u>\$ 36,326</u>	<u>\$ 331,816</u>

**NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS:**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Capital assets	\$ 51,356,395	\$ 73,843,886	\$ 125,200,281
Capital debt:			
Bonds payable	(13,215,000)	(30,435,000)	(43,650,000)
Notes payable	(278,622)	-	(278,622)
Leases payable	(581,061)	(295,490)	(876,551)
Premiums	(653,523)	(2,534,249)	(3,187,772)
Deferred refunding costs	-	128,733	128,733
Retainage payable	(181,439)	-	(181,439)
Total net investment in capital assets	<u>\$ 36,628,189</u>	<u>\$ 40,707,880</u>	<u>\$ 77,336,069</u>

The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. Consequently, \$430,000 in bonds payable, \$19,824 in premiums and \$3,991,520 in notes payable reported in the total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 9 – FUND BALANCE:**

Fund balances by classification for the year ended June 30, 2023 were as follows:

	Combined General Fund	State Street Tax Fund	Reserve Fund	City Hall Construction Fund	Non-major Governmental Funds	Total Governmental Funds
Fund Balance						
Nonspendable:						
Advance to other funds	\$ 1,819	\$ -	\$ -	\$ -	\$ -	\$ 1,819
Prepaid items	4,375	-	-	-	3,094	7,469
Restricted for:						
Debt service	-	-	-	-	81,765	81,765
Culture and recreation	-	-	291,138	-	-	291,138
Building inspection	454,981	-	-	-	-	454,981
Highways and streets	-	450,448	1,232,222	-	-	1,682,670
Public safety	-	-	-	-	45,738	45,738
Economic development	-	-	819,691	-	330,865	1,150,556
Utility systems	-	-	-	-	1,359,246	1,359,246
System development	-	-	572,976	-	-	572,976
Committed to:						
Municipal court	-	-	-	-	1,933	1,933
Culture and recreation	-	-	288,914	-	23,202	312,116
Highways and streets	-	-	530,504	-	-	530,504
Economic development	-	-	7,602	-	-	7,602
Public safety	-	-	96,000	-	51,801	147,801
Utility systems	-	-	3,583,571	-	-	3,583,571
Other reserves	-	-	700,946	-	-	700,946
Unassigned	2,499,355	-	-	(561,135)	(979,745)	958,475
<b>Total Fund Balance</b>	<b>\$ 2,960,530</b>	<b>\$ 450,448</b>	<b>\$8,123,564</b>	<b>\$ (561,135)</b>	<b>\$ 917,899</b>	<b>\$ 11,891,306</b>

\$1,856,414 of restricted fund balance is restricted by enabling legislation.

**NOTE 10 – GARBAGE DISPOSAL CONTRACT:**

The City contracts for garbage disposal with a third party. Under terms of the agreement the City remits 6.5% of collected sanitation fees to the contracting party, with the General Fund retaining 15.0% of the fees as compensation for billing and collection services and as franchise fees.

**NOTE 11 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES:**

**Interfund Transfers:**

The City makes routine transfers between funds as follows:

- Amounts designated for specific purposes authorized by resolutions of the City Council are transferred to one of the City’s reserve funds.
- Amounts designated for debt service are transferred to the Debt Service Fund.
- The Energy Fund pays five percent of gross energy revenues in lieu of taxes to the General Fund.
- The City resolution requires requiring 1/3 of franchise fees be transferred to the Reserve Fund for street improvements.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 11 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES (continued):**

**Interfund Transfers (continued):**

Budgetary basis transfers reported on the Budgetary Comparison Schedules differ from those reported on the modified accrual basis in the fund financial statements because:

- The City budgets payment in lieu of taxes as an expenditure of the Energy Fund and as revenue to the General Fund. The fund financial statements report these as a transfer.
- Expenditures for proprietary fund capital assets and repairs are made by the Reserve Fund. The City budgets these expenditures as capital outlay and materials and services, but the fund financial statements report them as transfers.
- The City budgets administrative overhead reimbursements from the Street Fund, Utility Fund, Energy Fund and Regional Water Fund to the General Fund as transfers. The fund financial statements report these reimbursements as expenditures/expenses and reductions of expenditures in the General Fund.
- The City budgets debt service payments in the Utility Fund for governmental long-term debt. The debt is backed by revenues from an enterprise zone agreement. Transfers are budgeted from the Enterprise Zone Fund to the Utility Fund. The fund financial statements will eliminate the transfer and treat the Enterprise Zone Fund as having made the debt service payment.

Transfers consist of the following:

	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
Major Governmental Funds:		
Combined General Fund	\$ 1,875,446	\$ 1,397,802
State Street Tax Fund	-	100,201
Reserve Fund	3,594,549	6,372,250
City Hall Construction Fund	645,000	-
Total Major Governmental Funds	<u>6,114,995</u>	<u>7,870,253</u>
Non-Major Governmental Funds:		
Transient Room Tax Fund	-	840,866
Enterprise Zone Project Fund	-	627,840
EOTEC Operations Fund	125,041	-
Bonded Debt Fund	208,820	-
Total Non-Major Governmental Funds	<u>333,861</u>	<u>1,468,706</u>
Total Governmental Funds	<u>6,448,856</u>	<u>9,338,959</u>
Proprietary Funds:	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
Energy Operations	311,768	752,022
Utility Operations	3,250,798	2,530,140
Regional Water Operations	2,809,699	200,000
Total Proprietary Funds	<u>6,372,265</u>	<u>3,482,162</u>
Total All Funds	<u><u>\$ 12,821,121</u></u>	<u><u>\$ 12,821,121</u></u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 11 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES (continued):**

**Interfund Loans Receivables and Payables:**

Interfund loans were used to provide funding for capital improvements and to meet immediate operating needs. Interfund capital loans are scheduled to be repaid over a two to ten year period.

	Interfund Loan Receivable	Interfund Loan Payable
Combined General Fund	\$ 1,819	\$ -
Transient Room Tax Fund	-	157,521
Hermiston Urban Renewal Agency Fund	-	1,819
Reserve Fund	1,652,478	-
EOTEC Operations Fund	-	289,825
Local Improvement District Fund	-	686,125
City Hall Construction Fund	-	519,007
Total	<u>\$ 1,654,297</u>	<u>\$ 1,654,297</u>

**NOTE 12 – CONTINGENT LIABILITIES:**

Amounts received or receivable from state and federal grants are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims will not be significant to the City's financial statements.

Major projects in progress at year end are summarized as follows:

1. Airport Master Plan – The City was awarded state and federal grants totaling \$330,000 to update the airport master plan. Total costs are estimated at \$333,300, with the City's portion estimated at about \$3,300. Costs incurred as of June 30, 2023 were \$317,253.
2. EOTEC Improvements – The City has spent \$41,662 in engineering and design costs towards the EOTEC RV Park and storage building. The project is in the engineering stage and a cost estimate is not yet available. The EOTEC strategic plan includes a list of projects in the coming fiscal years including: securing water rights, improve landscaping, update overall site plan, improve security system and PA system, add a multi-sports facility, improve access and parking, and build an indoor arena/pavilion.

## **CITY OF HERMISTON, OREGON**

### **Notes to Basic Financial Statements**

**June 30, 2023**

#### **NOTE 12 – CONTINGENT LIABILITIES (continued):**

3. Airport Apron Rehab – The City was awarded state and federal grants totaling \$1,750,171 to rehabilitate the airport apron. Total costs are estimated at approximately \$2,000,000. Costs incurred as of June 30, 2023 were \$2,415,149.
4. Geer and Harper Intersection Realignment – The City has spent \$233,357 of an expected \$1.5 million to reconstruct a three-way intersection that also includes a railway crossing. The intersection needs to be reconstructed to improve traffic and pedestrian access, and ensure connectivity to property east of N. 1st Place.
5. Lift Station Improvements – The City has spent \$2.4 million to consolidate two lift stations and update the remaining station to improve operations. The City expects to spend \$1.7 million to \$2.4 million per year in water and sewer system improvements each year through 2024.
6. Hermiston Teen Adventure Skatepark -The City has spent \$51,916 of a planned \$545,000 to build a 7500 sq/ft skatepark.

#### **NOTE 13 – EASTERN OREGON TRADE AND EVENTS CENTER (EOTEC):**

The City and Umatilla County amended their agreement effective March 12, 2018 and the EOTEC Authority was dissolved and merged into the City of Hermiston. Under the agreement, Umatilla County transferred all interest in the EOTEC property, agreed to provide annual contributions of \$75,000 per year through October of 2022, and has made improvements to East Airport and Ott Roads. Upon completion of the improvements, the City will take over maintenance and control of the roads. The County also provided \$105,000 towards the construction overrun, \$595,000 to split equipment and capital improvements, and agreed to an annual lease payment of \$100,000 for six week use of the fairgrounds each year. The City agreed to assume all ongoing operations and maintenance costs for the complete EOTEC facility, including the purchase of necessary equipment. The City will also pay ½ of the construction costs of the Fair Building up to \$250,000.



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 14 – DEFERRED COMPENSATION PLAN:**

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are, until paid or made available to the employee or other beneficiary, held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation investments are not included in the City's financial statements.

**NOTE 15 – PENSION PLAN:**

**A. Plan description:**

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**B. Benefits provided:**

**1. Tier One/Tier Two Retirement Benefit ORS Chapter 238:**

**Pension Benefits:**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$225,533 in 2023 and will be indexed with inflation in later years.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**B. Benefits provided (continued):**

**1. Tier One/Tier Two Retirement Benefit ORS Chapter 238 (continued):**

**Pension Benefits (continued):**

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**Death Benefits:**

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

**Disability Benefits:**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**Benefit Changes After Retirement:**

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**B. Benefits provided (continued):**

**2. OPSRP Defined Benefit Pension Program (OPSRP DB):**

**Pension Benefits:**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$225,533 in 2023 and will be indexed with inflation in later years.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**Death Benefits:**

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**Disability Benefits:**

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**Benefit Changes After Retirement:**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**3. OPSRP Individual Account Program (OPSRP IAP):**

**Pension Benefits:**

The IAP is an individual account-based program under PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

**Death Benefits:**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

**Recordkeeping:**

OPERS contracts with VOYA Financial to maintain IAP participant records.

**C. Contributions:**

**Employer Contributions:**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2020 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021. Employer contributions for the year ended June 30, 2023 were \$2,021,432, excluding \$1,548 to fund the retirement health insurance account (RHIA). The rates in effect for the fiscal year ended June 30, 2022, excluding the RHIA rate of .06%, were 26.85% for Tier One/Tier Two General Service Member, 21.06% for OPSRP Pension Program General Service Members, 25.42% for OPSRP Pension Program Police and Fire Members, and 6.00% for OPSRP Individual Account Program.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**C. Contributions (continued):**

**Employee Contributions:**

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the City has opted to pick-up the contributions on behalf of employees: contributions were \$488,133 for the year ended June 30, 2023.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$3,570 per month on January 1, 2023) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

**D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At June 30, 2023, the City reported a liability of \$10,982,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportionate share was 0.07172166%, compared to its proportionate share of 0.07306842% measured as of June 30, 2021.

For the year ended June 30, 2023, the City's recognized pension expense (income) of \$1,511,585. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 533,089	\$ 68,486
Changes of assumptions	1,723,139	15,743
Net difference between projected and actual earnings on investments	-	1,963,374
Changes in proportionate share	240,098	196,254
Differences between employer contributions and employer's proportionate share of system contributions	61,982	975,249
Total (prior to post-MD contributions)	2,558,308	3,219,106
Contributions subsequent to the measurement date	2,021,432	-
Net Deferred Outflow/(Inflow) of Resources	\$ 4,579,740	\$ 3,219,106

City contributions subsequent to the measurement date of \$2,021,432 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (3,998)
2025	(302,710)
2026	(971,952)
2027	720,340
2028	(102,478)
Total	\$ (660,798)

**E. Actuarial Assumptions:**

The employer contribution rates effective July 1, 2021, through June 30, 2023, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**E. Actuarial Assumptions (continued):**

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020, published July 2021
Actuarial Assumptions:	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

**F. Long-term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**F. Long-term Expected Rate of Return (continued):**

<u>Asset Class/Strategy</u>	Assumed Asset Allocation		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	25.00	35.00	30.00
Real Estate	7.50	17.50	12.50
Private Equity	15.00	27.50	20.00
Risk Parity	-	3.50	2.50
Real Assets	2.50	10.00	7.50
Diversifying Strategies	2.50	10.00	7.50
Opportunity Portfolio	-	5.00	-
Total			<u>100.00 %</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Global Equity	30.62 %	5.85 %
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.30
Real Estate	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Fund of Funds - Multistrategy	1.25	5.11
Hedge Fund of Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	(2.50)	1.76
Total	<u>100.00 %</u>	

Assumed Inflation - Mean 2.40 %



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**G. Depletion Date Projection:**

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

**H. Discount Rate:**

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**I. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	<u>1% Decrease (5.9%)</u>	<u>Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
City's proportionate share of the net pension liability (asset)	\$ 19,475,672	\$ 10,982,025	\$ 3,873,235

**J. Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**K. Payables to the Pension Plan:**

The City reports payables in the amount of \$224,744 to the pension plan as of June 30, 2023.

**L. Changes in Plan Provisions During the Measurement Period:**

There were no changes in the Tier One/Tier Two or OPSRP benefit provisions reflected since the December 31 , 2021 actuarial valuation.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 15 – PENSION PLAN (continued):**

**M. Changes in Plan Provisions Subsequent to Measurement Date:**

There were no changes subsequent to the June 30, 2022 measurement period that require disclosure.

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS:**

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions in the fiscal year ended June 30, 2018. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The OPEB for the City combines two separate plans. The City provides an implicit rate subsidy for retiree Health Insurance Continuation (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan Retirement Health Insurance Account.

## **CITY OF HERMISTON, OREGON**

### **Notes to Basic Financial Statements**

**June 30, 2023**

#### **NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

##### **Health Insurance Continuation:**

Plan Description. The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees, which is considered a single employer plan. Although the City does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the City for this implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. A separate, audited GAAP-basis postemployment benefit plan report is not available for this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of statement 75. The City had 2 retired members and 94 active members in its plan on July 1, 2022, the date of its most recent actuarial valuation.

##### **Outline of Plan Provisions:**

There are certain provisions that must be met in order for OPEB benefits to be eligible to retirees which are listed below:

- i. The retiree must be eligible to receive benefits from Oregon PERS.
- ii. Eligibility requirements for earliest retirement under Oregon PERS are:
  1. the earlier of age 55, or any age with 30 years of service for Tier 1 or Tier 2 employees and;
  2. age 55 with 5 years of service for OPSRP employees.
- iii. All classes of employee are eligible to continue medical benefit coverage upon retirement.
- iv. Qualified spouse, domestic partner, and children may qualify for coverage.
- v. Coverage for retirees and eligible dependents continues until Medical eligibility for each individual (or until dependent children become ineligible).
- vi. The retirees will contribute the full health plan premiums.
- vii. There is an implicit rate subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than they would be if the retirees were in a separately rated health plan.

##### **Total OPEB Liability:**

The City's total OPEB liability of \$672,790 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2022.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**  
**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Actuarial Assumptions and Other Inputs:**

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation rate	2.4 percent per year
Discount rate	3.54 percent, based on a 20-year general obligation bond yield index published by The Bond Buyer
Projected salary increases	3.4 percent per year
Health Cost Trend	Medical and vision: 2022-4.25%, 2023-6.75%, and between 4.00% and 7.00% for the subsequent 40+ years
Cost of living adjustment (COLA)	3.4 percent per year, based on general inflation and the likelihood of raises throughout participants' careers
Health mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	\$ 788,365
Changes for the year:	
Service cost	48,147
Interest	17,863
Economic/demographic gains or losses	(50,428)
Changes in assumptions or other inputs	(111,986)
Benefit payments	<u>(19,171)</u>
Net changes	<u>(115,575)</u>
Balance at June 30, 2023	<u><u>\$ 672,790</u></u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Changes in the Total OPEB Liability (continued):**

Sensitivity of the total OPEB liability to changes in the discount and trend rates. The following presents the total OPEB liability of the City's, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 727,354	\$ 672,790	\$ 621,448

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (3.25%)</u>	<u>Trend Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
Total OPEB liability	\$ 598,655	\$ 672,790	\$ 758,551

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the year ended June 30, 2023, the City recognized OPEB expense of \$55,385. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 65,589	\$ (45,006)
Changes in assumptions or inputs	19,967	(147,883)
Total (prior to post MD contributions)	85,556	(192,889)
Contributions subsequent to the measurement date	17,987	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 103,543</u>	<u>\$ (192,889)</u>

\$17,987 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30:	
2024	\$ 10,625
2025	10,625
2026	10,625
2027	10,625
2028	11,034
Thereafter	53,799
Total	<u>\$ 107,333</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Retirement Health Insurance Account (RHIA):**

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.06% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2023, 2022 and 2021 were \$1,549, \$1,473 and \$1,849, respectively, which equaled the required contributions each year.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

At June 30, 2022, the City reported an asset of \$212,430 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportionate share was 0.05978300%, compared to its proportionate share of 0.06909699%% measured as of June 30, 2021.

For the year ended June 30, 2023, the City's recognized OPEB expense (income) of \$(33,159). At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,757
Changes of Assumptions	1,663	7,081
Net difference between projected and actual earnings on investments	-	16,200
Changes in proportionate share	14,188	12,590
Total (prior to post-MD contributions)	<u>15,851</u>	<u>41,628</u>
Contributions subsequent to the measurement date	1,549	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 17,400</u>	<u>\$ 41,628</u>

\$1,549 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30:	
2024	\$ (15,610)
2025	(5,133)
2026	(10,223)
2027	5,189
Total	<u>\$ (25,777)</u>



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Actuarial Assumptions:**

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are as follows:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study Report	2020 published July 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.  Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.  Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table following shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Long-Term Expected Rate of Return (continued):**

<u>Asset Class/Strategy</u>	OIC Assumed Asset Allocation		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	25.00	35.00	30.00
Real Estate	7.50	17.50	12.50
Private Equity	15.00	27.50	20.00
Risk Parity	-	3.50	2.50
Real Assets	2.50	10.00	7.50
Diversifying Strategies	2.50	10.00	7.50
Opportunity Portfolio	-	5.00	-
Total			<u>100.00 %</u>
			Compounded Annual Return
<u>Asset Class</u>		<u>Target Allocation</u>	<u>(Geometric)</u>
Global Equity		30.62 %	5.85 %
Private Equity		25.50	7.71
Core Fixed Income		23.75	2.30
Real Estate		12.25	5.66
Master Limited Partnerships		0.75	5.71
Infrastructure		1.50	6.26
Commodities		0.63	3.10
Hedge Fund of Funds - Multistrategy		1.25	5.11
Hedge Fund of Equity - Hedge		0.63	5.31
Hedge Fund - Macro		5.62	5.06
US Cash		(2.50)	1.76
Total		<u>100.00 %</u>	

Assumed Inflation - Mean

2.40 %

**Discount rate:**

The discount rate used to measure the total OPEB asset was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Depletion Date Projection:**

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB asset/liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

**Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate:**

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 6.9 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
Total OPEB (asset) liability	\$ (191,459)	\$ (212,430)	\$ (230,407)

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**Changes in Plan Provisions During the Measurement Period:**

There were no changes during the June 30, 2022 measurement period that require disclosure.

**Changes in Plan Provisions Subsequent to Measurement Date:**

We are not aware of any changes subsequent to the June 30, 2022 Measurement Date that meet this requirement and thus require a brief description under the GASB standard.

**Aggregate Net OPEB Asset/Liability, Deferred Outflows/Inflows, and OPEB Expense:**

The aggregate Net OPEB Asset/Liability was reported as a net liability in the financial statements. A summary of the aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows for the two plans is as follows:

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Aggregate Net OPEB Asset/Liability, Deferred Outflows/Inflows, and OPEB Expense (continued):**

	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (income) Expense
Total OPEB (asset) liability	\$ 672,790	\$ 103,543	\$ 192,889	\$ 55,385
Retirement Health Insurance Account (RHIA)	(212,430)	17,400	41,628	(33,159)
Aggregate amounts related to OPEB	<u>\$ 460,360</u>	<u>\$ 120,943</u>	<u>\$ 234,517</u>	<u>\$ 22,226</u>

**NOTE 17 – TAX ABATEMENT DISCLOSURES:**

The City enters into property tax abatement agreements with local businesses under the Hermiston Enterprise Zone authorized by Oregon Statute 285C.175. The Hermiston Enterprise Zone is largely contiguous to Hermiston’s City limits and allows eligible (generally non-retail) businesses that expand into the area, to receive total exemption from the property taxes normally assessed on new plant and equipment for three years. For the basic three-year property tax exemption, the business needs to increase full time, permanent employment by one new job or 10%, whichever is greater; have no concurrent job losses outside of Hermiston, but inside of Oregon; and maintain the employment level during the exemption period. Some projects which meet the basic three-year exemption may also qualify for an additional one to two years of tax exemption if the total compensation of the new workers is at or above 150% of Umatilla County’s average wage and there is a written agreement with the City of Hermiston. The City’s portion of abated taxes for the 2022-2023 tax year was \$48,057.

The City entered into an Agreement for Long-Term Rural Enterprise Zone abatement on January 8, 2018 executed by Umatilla County, the City, and Lamb Weston, Inc. The agreement is conditioned upon the satisfaction of other requirements under ORS 285C.400 to 285C.420 and will be exempt from ad valorem property tax for 15 years, and shall commence on the first tax year in which the Facility is in service as of the assessment date. Lamb Weston is entitled to exemption from ad valorem property tax with respect to all qualified property owned by Lamb Weston and used in connection with the development and construction on the Facility. Lamb Weston is to comply with the minimum facility investment, minimum employment, minimum employee total compensation, and minimum employee wages statutory and administrative requirements. The total minimum facility investment is \$225 million and it is estimated that Lamb Weston would have been liable for property taxes of approximately \$35 million over the 15 year period. Lamb Weston is to pay annual payments totaling \$1,000,000 no later than June of each calendar year and continue making that payment for 15 years beginning in 2020 with final payment due June 2034 on the condition that the Facility is placed in service by December 31, 2019. The City’s \$500,000 portion of the payment includes annual fees of \$450,000 and payments to the City of Hermiston Parks and Recreation include annual fees of \$50,000 to be used for the purposes of developing and enhancing recreational programming and facilities in the greater Hermiston area.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2023**

**NOTE 18 – TAX ABATEMENT DISCLOSURES (continued):**

The City entered into an Agreement for Long-Term Rural Enterprise Zone abatement on October 14, 2019 executed by Umatilla County, the City, and Amazon Data Services, Inc. The agreement is conditioned upon the satisfaction of other requirements under ORS 285C.409(1) and will be exempt from ad valorem property tax for 15 years, and shall commence on the first tax year in which the Facility is in service as of the assessment date. Amazon Data Services is entitled to exemption from ad valorem property tax with respect to all qualified property owned by Amazon Data Services and used in connection with the development and construction on the Facility. Amazon Data Services is to comply with the minimum facility investment, minimum employment, minimum employee total compensation, and minimum employee wages statutory and administrative requirements. The agreement requires Amazon Data Services to invest a minimum facility investment of \$220 million and to provide employee compensation greater than 130 percent of the Umatilla County average wage, and pay the required fees to the zone over the term of the agreement.

**NOTE 19 – SUBSEQUENT EVENTS:**

The City plans to issue up to \$20 million of full faith and credit bonds in the spring of 2024 to finance capital projects to improve, construct and equip the Library, City Hall, Public Safety Center, park and recreation buildings, Eastern Oregon Trade and Event Center, streets, water system and related improvements.

Management evaluated all activity of the City through the issue date of the Financial Statements and concluded that no other subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**GENERAL FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Property taxes	\$ 6,786,900	\$ 6,931,350	\$ 7,109,407	\$ 178,057
Franchise fees	1,429,500	1,429,500	1,509,733	80,233
Licenses and fees	5,300	5,300	6,220	920
Charges for services	1,904,000	1,924,300	3,021,820	1,097,520
Intergovernmental	3,012,500	3,188,000	3,157,775	(30,225)
Fines and forfeitures	400,000	400,000	278,062	(121,938)
Investment earnings (losses)	15,000	62,000	140,184	78,184
Miscellaneous	105,000	105,000	241,977	136,977
Total revenues	<u>13,658,200</u>	<u>14,045,450</u>	<u>15,465,178</u>	<u>1,419,728</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government	4,867,195	5,059,245	4,667,242	392,003
Public safety	7,065,263	7,198,563	6,706,614	491,949
Culture and recreation	3,603,217	3,628,117	3,446,464	181,653
Debt service	457,825	457,825	457,825	-
Contingency	53,269	53,269	-	53,269
Total expenditures	<u>16,046,769</u>	<u>16,397,019</u>	<u>15,278,145</u>	<u>1,118,874</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	<u>(2,388,569)</u>	<u>(2,351,569)</u>	<u>187,033</u>	<u>2,538,602</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	1,945,689	2,065,689	2,075,320	9,631
Transfers out	(658,819)	(1,460,819)	(1,554,802)	(93,983)
Total other financing sources (uses)	<u>1,286,870</u>	<u>604,870</u>	<u>520,518</u>	<u>(84,352)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	<u>(1,101,699)</u>	<u>(1,746,699)</u>	<u>707,551</u>	<u>2,454,250</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>1,101,699</u>	<u>1,746,699</u>	<u>2,228,426</u>	<u>481,727</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935,977</u>	<u>\$ 2,935,977</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**STATE STREET TAX FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 1,805,168	\$ 1,966,168	\$ 1,563,027	\$ (403,141)
Miscellaneous	-	-	20,892	20,892
Total revenues	<u>1,805,168</u>	<u>1,966,168</u>	<u>1,583,919</u>	<u>(382,249)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Highways and streets:				
Personnel services	643,037	670,259	627,255	43,004
Materials and services	885,150	1,042,150	605,566	436,584
Capital outlay	20,000	20,000	-	20,000
Contingency	30,000	2,778	-	2,778
Total expenditures	<u>1,578,187</u>	<u>1,735,187</u>	<u>1,232,821</u>	<u>502,366</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	<u>226,981</u>	<u>230,981</u>	<u>351,098</u>	<u>120,117</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	-	-	-	-
Transfers out	(264,820)	(268,820)	(264,900)	3,920
Total other financing sources (uses)	<u>(264,820)</u>	<u>(268,820)</u>	<u>(264,900)</u>	<u>3,920</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(37,839)</u>	<u>(37,839)</u>	<u>86,198</u>	<u>124,037</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>37,839</u>	<u>37,839</u>	<u>364,250</u>	<u>326,411</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,448</u>	<u>\$ 450,448</u>



**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**For The Last Ten Fiscal Years**

Measurement Date June 30,	(a) City's Proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension Liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net Pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.07172166%	\$ 10,982,025	\$ 7,693,835	142.74%	84.50%
2021	0.07306842%	\$ 8,743,718	\$ 7,186,891	121.66%	87.60%
2020	0.07223655%	\$ 15,764,500	\$ 7,185,824	219.38%	75.80%
2019	0.07059840%	\$ 12,221,832	\$ 6,744,156	181.22%	80.20%
2018	0.06886307%	\$ 10,431,848	\$ 6,216,869	167.80%	82.07%
2017	0.07185807%	\$ 9,686,495	\$ 5,934,290	163.23%	83.12%
2016	0.07036251%	\$ 10,563,046	\$ 5,707,346	185.08%	80.50%
2015	0.08383593%	\$ 4,813,407	\$ 5,445,278	88.40%	91.90%
2014	0.07543283%	\$ (1,709,847)	\$ 5,439,542	-31.43%	103.60%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF CONTRIBUTIONS**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**For The Last Ten Fiscal Years**

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2023	\$ 2,021,432	\$ 2,021,432	\$ -	\$ 8,737,410	23.14%
2022	\$ 1,730,322	\$ 1,730,322	\$ -	\$ 7,693,835	22.49%
2021	\$ 1,631,222	\$ 1,631,222	\$ -	\$ 7,186,891	22.70%
2020	\$ 1,684,570	\$ 1,684,570	\$ -	\$ 7,185,824	23.44%
2019	\$ 1,160,723	\$ 1,160,723	\$ -	\$ 6,744,156	17.21%
2018	\$ 1,165,176	\$ 1,165,176	\$ -	\$ 6,216,869	18.74%
2017	\$ 830,708	\$ 830,708	\$ -	\$ 5,934,290	14.00%
2016	\$ 836,292	\$ 836,292	\$ -	\$ 5,707,346	14.65%
2015	\$ 733,439	\$ 733,439	\$ -	\$ 5,445,278	13.47%
2014	\$ 764,158	\$ 764,158	\$ -	\$ 5,439,542	14.05%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
**OPERS RETIREMENT HEALTH INSURANCE ACCOUNT**  
**For The Last Ten Fiscal Years**

Measurement Date June 30,	(a) City's proportion of the net OPEB pension liability (asset)	(b) City's proportionate share of the net OPEB pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the OPEB pension liability (asset) as a percentage of its covered payroll	City's plan net position as a percentage of the total OPEB liability
2022	0.05978300%	\$ (212,430)	\$ 7,693,835	-2.76%	194.60%
2021	0.06909699%	\$ (237,279)	\$ 7,186,891	-3.30%	183.90%
2020	0.04416482%	\$ (89,990)	\$ 7,185,824	-1.25%	150.10%
2019	0.05892840%	\$ (113,871)	\$ 6,744,156	-1.69%	144.40%
2018	0.06056140%	\$ (67,603)	\$ 6,216,869	-1.09%	124.00%
2017	0.05700055%	\$ (23,789)	\$ 5,934,290	-0.40%	108.88%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF CONTRIBUTIONS**  
**OPERS RETIREMENT HEALTH INSURANCE ACCOUNT**  
**For The Last Ten Fiscal Years**

Year Ended June 30,	Contractually required contributions	City's contributions in relation to the contractually required contribution	City's contribution deficiency (excess)	City's covered payroll	City's contribution as a percentage of covered employee payroll
2023	\$ 1,549	\$ 1,549	\$ -	\$ 8,737,410	0.02%
2022	\$ 1,473	\$ 1,473	\$ -	\$ 7,693,835	0.02%
2021	\$ 1,849	\$ 1,849	\$ -	\$ 7,186,891	0.03%
2020	\$ 3,154	\$ 3,154	\$ -	\$ 7,185,824	0.04%
2019	\$ 29,206	\$ 29,206	\$ -	\$ 6,744,156	0.43%
2018	\$ 29,324	\$ 29,324	\$ -	\$ 6,216,869	0.47%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS**  
**For The Last Ten Fiscal Years**

<u>Year Ended June 30,</u>	<u>Service cost</u>	<u>Interest</u>	<u>Economic/demographic gains or losses</u>	<u>Changes of assumptions</u>	<u>Benefit payments</u>	<u>City's Net change in total OPEB liability</u>	<u>City's total OPEB liability Beginning</u>	<u>City's total OPEB liability Ending</u>	<u>City's covered employee payroll</u>	<u>City's total OPEB liability as a percentage of payroll</u>
2023	\$ 48,147	17,863	(50,428)	(111,986)	(19,171)	(115,575)	788,365	\$ 672,790	\$ 8,737,410	7.70%
2022	\$ 46,753	17,229	-	3,010	(22,818)	44,174	744,191	\$ 788,365	\$ 7,693,835	10.25%
2021	\$ 38,293	24,846	19,803	8,199	(36,741)	54,400	689,791	\$ 744,191	\$ 7,186,891	10.35%
2020	\$ 34,104	25,510	-	21,117	(31,719)	49,012	640,779	\$ 689,791	\$ 7,180,432	9.61%
2019	\$ 36,601	20,812	109,975	(63,385)	(15,816)	88,187	552,592	\$ 640,779	\$ 6,755,264	9.49%
2018	\$ 39,167	16,696	-	(40,489)	(18,718)	(3,344)	-	\$ 552,592	\$ 6,269,331	8.81%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

**Stewardship, Compliance, and Accountability:**

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund and Utility Fund. Expenditure categories of personnel services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The City had four supplemental budgets during the year-ended June 30, 2023. Appropriations lapse as of year-end.

Changes in fund balance are the same in both the budgetary basis statements and in the governmental fund statements because the City's budget is presented on the modified accrual basis of accounting, which is the same basis as GAAP. Presentation differences include the following:

- Payment in lieu of taxes totaling \$752,022 from the Energy Services Fund to the General Fund are reported as revenues in the budgetary statements but as transfers for GAAP.
- Payments for proprietary fund capital purchases made by the Reserve Fund totaling \$6,209,669 are reported as expenditures in the budgetary statements but as transfers for GAAP.
- Payments to the General Fund for administrative overhead reimbursement were made by the Street Fund, Energy Fund, Utility Fund and Regional Water Fund totalling \$160,699, \$161,745, \$571,642, and \$57,810, respectively. Payments are reported as transfers in the budgetary statements but as expenditures/expenses with a reduction of General Fund expenditures for GAAP in the fund financial statements.
- Payments to the Information Technology Fund for technical support reimbursement were made by the Street Fund, Energy Fund, Utility Fund and General Fund totalling \$4,000, \$5,000, \$44,000, and \$157,000, respectively. Payments are reported as transfers in the budgetary statements but as expenditures/expenses with a reduction of General Fund expenditures for GAAP in the fund financial statements.
- Payments for debt service were made by the Utility Fund in the amount of \$377,485. The Enterprise Zone Fund made transfers to the Utility Fund totaling \$377,500. A transfer and payment for debt service are reported in the budgetary statements. Since the debt is governmental, the payment of \$377,485 will be reported as a debt service expenditure in the fund financial statements.
- The Revolving Loan Fund is accounted for separately internally, but is combined within the General Fund for GAAP.

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

**Stewardship, Compliance, and Accountability (continued):**

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2023:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General Fund	Parks	\$ 33,661
General Fund	Municipal Buildings	1,152
General Fund	Recreation	168
General Fund	Transfers out	93,983
Library Reserve Fund	Materials and services	4,528
Transient Room Tax Fund	Materials and services	24,901
Reserve Fund	Debt service	25,000
EOTEC Operations Fund	Materials and services	47,214
Utility Fund	Debt service	123,547
Energy Services Fund	Materials and services	185,615
Energy Services Fund	Transfers out	1,055

**Changes in Benefit Terms**

There were no significant changes in benefit terms in the current period related to the net pension obligation.

The City's health insurance continuation OPEB liability calculation uses a 20-year tax-exempt municipal bond yield or index rate for the discount rate. The discount rate in effect for the June 30, 2023 reporting date is 3.54%.

**Changes of Assumptions**

There were no significant changes in assumptions in the current period related to the net pension obligation.

**SUPPLEMENTAL INFORMATION**



**Non-Major Governmental Funds**  
**June 30, 2023**

**Special Revenue Funds** – These funds account for revenue derived from specific taxes or other earmarked revenue sources, which are restricted to expenditures for specified purposes.

- **Transient Room Tax Fund** – This fund accounts for revenues collected from the City’s transient room tax.
- **Municipal Court Fund** – This fund accounts for bail and fines received and refunds paid.
- **Miscellaneous Special Revenue Fund** – This fund accounts for CIS wellness grant and certain pass-through payments related to payroll and surcharges due to the state.
- **Christmas Express Fund** – This fund accounts for donated monies that are restricted to expenditures for the law enforcement Christmas Express program.
- **Law Enforcement Fund** – This fund accounts for amounts constrained for law enforcement and related purposes.
- **Library Reserve Fund** – This fund accounts for amounts constrained for library operations and improvements.
- **Enterprise Zone Project Fund** – This fund accounts for fee revenue received through multi-year GHEZ (Greater Hermiston Enterprise Zone) agreements with businesses locating in the GHEZ. This fund allows for the accumulation of resources to accomplish the economic and community development goals of the Sponsors.
- **Hermiston Urban Renewal Agency** – This fund accounts for amounts constrained for the Urban Renewal Agency.
- **EOTEC Operations Fund** – This fund accounts for the revenues and expenditures related to operating the Eastern Oregon Trade and Events Center.
- **Information Technology Fund** – This fund accounts for revenues and expenditures related to the City's information technology services, which serves the City as well as other entities.

**Capital Projects Funds** – These funds account for the acquisition and construction of capital facilities.

- **2017 FF&C HURA Fund** – This fund accounts for bond proceeds to be used for Urban Renewal projects.
- **Local Improvement District Fund** – This fund accounts for revenue and expenditures for the development of a Local Improvement District (LID) in the South Hermiston Industrial Park (SHIP).

**Debt Service Fund** – This fund account for revenues and expenditures related to the servicing of general long-term debt.

- **Bonded Debt Fund** – This fund accounts for revenues and expenditures related to the servicing on general long-term debt.

**CITY OF HERMISTON, OREGON**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**

**June 30, 2023**

	Transient Room Tax Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Christmas Express Fund	Law Enforcement Fund	Library Reserve Fund	Enterprise Zone Project Fund
<b><u>ASSETS:</u></b>							
Cash and investments	\$ -	\$ 2,830	\$ 290,327	\$ 45,738	\$ 99,356	\$ 28,176	\$ 1,359,246
Receivables (net of allowances for uncollectible):							
Property taxes	-	-	-	-	-	-	-
Intergovernmental and other	331,265	20,605	-	-	-	-	-
Prepaid Expenses	-	-	3,094	-	-	-	-
Total assets	<u>\$ 331,265</u>	<u>\$ 23,435</u>	<u>\$ 293,421</u>	<u>\$ 45,738</u>	<u>\$ 99,356</u>	<u>\$ 28,176</u>	<u>\$ 1,359,246</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>LIABILITIES:</u></b>							
Accounts payable and accrued liabilities	\$ -	\$ 897	\$ 304,882	\$ -	\$ -	\$ 4,974	\$ -
Customer Deposits	-	-	-	-	-	-	-
Advances from other funds	157,521	-	-	-	-	-	-
Total liabilities	<u>157,521</u>	<u>897</u>	<u>304,882</u>	<u>-</u>	<u>-</u>	<u>4,974</u>	<u>-</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>							
Unavailable revenue	-	20,605	-	-	47,555	-	-
Total deferred inflows of resources	<u>-</u>	<u>20,605</u>	<u>-</u>	<u>-</u>	<u>47,555</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES:</u></b>							
Non-spendable	-	-	3,094	-	-	-	-
Restricted	173,744	-	-	45,738	-	-	1,359,246
Committed	-	1,933	-	-	51,801	23,202	-
Unassigned	-	-	(14,555)	-	-	-	-
Total fund balances	<u>173,744</u>	<u>1,933</u>	<u>(11,461)</u>	<u>45,738</u>	<u>51,801</u>	<u>23,202</u>	<u>1,359,246</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 331,265</u>	<u>\$ 23,435</u>	<u>\$ 293,421</u>	<u>\$ 45,738</u>	<u>\$ 99,356</u>	<u>\$ 28,176</u>	<u>\$ 1,359,246</u>

See auditors' report.

**CITY OF HERMISTON, OREGON**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS (Continued)**

**June 30, 2023**

	Hermiston Urban Renewal Agency Fund	EOTEC Operations Fund	Information Technology Fund	2017 FF&C HURA Fund	Local Improvement District Fund	Bonded Debt Fund	Totals
<b><u>ASSETS:</u></b>							
Cash and investments	\$ 150,878	\$ 1,600	\$ 41,422	\$ 24,340	\$ -	\$ 79,811	\$ 2,123,724
Receivables (net of allowances for uncollectible):							
Property taxes	9,947	-	-	-	-	12,057	22,004
Intergovernmental and other	-	-	-	-	441,206	-	793,076
Prepaid Items	-	-	-	-	-	-	3,094
Total assets	<u>\$ 160,825</u>	<u>\$ 1,600</u>	<u>\$ 41,422</u>	<u>\$ 24,340</u>	<u>\$ 441,206</u>	<u>\$ 91,868</u>	<u>\$ 2,941,898</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>LIABILITIES:</u></b>							
Accounts payable and accrued liabilities	\$ 17,932	\$ 24,688	\$ 874	\$ -	\$ -	\$ -	\$ 354,247
Customer Deposits	-	6,700	-	-	-	-	6,700
Advances from other funds	1,819	289,825	-	-	686,125	-	1,135,290
Total liabilities	<u>19,751</u>	<u>321,213</u>	<u>874</u>	<u>-</u>	<u>686,125</u>	<u>-</u>	<u>1,496,237</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>							
Unavailable revenue	8,293	-	-	-	441,206	10,103	527,762
Total deferred inflows of resources	<u>8,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,206</u>	<u>10,103</u>	<u>527,762</u>
<b><u>FUND BALANCES:</u></b>							
Non-spendable	-	-	-	-	-	-	3,094
Restricted	132,781	-	-	24,340	-	81,765	1,817,614
Committed	-	-	-	-	-	-	76,936
Unassigned	-	(319,613)	40,548	-	(686,125)	-	(979,745)
Total fund balances	<u>132,781</u>	<u>(319,613)</u>	<u>40,548</u>	<u>24,340</u>	<u>(686,125)</u>	<u>81,765</u>	<u>917,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 160,825</u>	<u>\$ 1,600</u>	<u>\$ 41,422</u>	<u>\$ 24,340</u>	<u>\$ 441,206</u>	<u>\$ 91,868</u>	<u>\$ 2,941,898</u>

See auditors' report.

**CITY OF HERMISTON, OREGON**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

	Transient Room Tax Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Christmas Express Fund	Law Enforcement Fund	Library Reserve Fund	Enterprise Zone Project Fund
<b><u>REVENUES:</u></b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments in lieu of taxes	-	-	-	-	-	-	1,120,000
Transient room tax	1,135,011	-	-	-	-	-	-
Charges for services	-	-	70,998	-	-	-	-
Intergovernmental	-	-	-	-	11,744	3,708	-
Fines and forfeitures	-	-	-	-	-	-	-
Contributions	-	-	-	20,678	-	1,943	-
Investment earnings	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>1,135,011</u>	<u>-</u>	<u>70,998</u>	<u>20,678</u>	<u>11,744</u>	<u>5,651</u>	<u>1,120,000</u>
<b><u>EXPENDITURES:</u></b>							
Current:							
General government	-	-	69,178	-	-	-	-
Public safety	-	-	-	20,999	18,470	-	-
Culture and recreation	-	-	-	-	-	6,828	-
Economic development	159,901	-	-	-	-	-	-
Debt service	143,800	-	-	-	-	-	377,485
Total expenditures	<u>303,701</u>	<u>-</u>	<u>69,178</u>	<u>20,999</u>	<u>18,470</u>	<u>6,828</u>	<u>377,485</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>831,310</u>	<u>-</u>	<u>1,820</u>	<u>(321)</u>	<u>(6,726)</u>	<u>(1,177)</u>	<u>742,515</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(840,866)	-	-	-	-	-	(627,840)
Total other financing sources (uses)	<u>(840,866)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(627,840)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(9,556)</u>	<u>-</u>	<u>1,820</u>	<u>(321)</u>	<u>(6,726)</u>	<u>(1,177)</u>	<u>114,675</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>183,300</u>	<u>1,933</u>	<u>(13,281)</u>	<u>46,059</u>	<u>58,527</u>	<u>24,379</u>	<u>1,244,571</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 173,744</u>	<u>\$ 1,933</u>	<u>\$ (11,461)</u>	<u>\$ 45,738</u>	<u>\$ 51,801</u>	<u>\$ 23,202</u>	<u>\$ 1,359,246</u>

See auditors' report.

**CITY OF HERMISTON, OREGON**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS (Continued)**  
**For the Fiscal Year Ended June 30, 2023**

	Hermiston Urban Renewal Agency Fund	EOTEC Operations Fund	Information Technology Fund	2017 FF&C HURA Fund	Local Improvement District Fund	Bonded Debt Fund	Totals
<b><u>REVENUES:</u></b>							
Property taxes	\$ 278,823	\$ -	\$ -	\$ -	\$ -	\$ 302,588	\$ 581,411
Payments in lieu of taxes	-	-	-	-	-	-	1,120,000
Transient room tax	-	-	-	-	-	-	1,135,011
Charges for services	-	289,291	589,021	-	-	-	949,310
Intergovernmental	-	228,024	-	-	1,042,183	-	1,285,659
Fines and forfeitures	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	22,621
Investment earnings	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	78,197	-	78,197
Total revenues	<u>278,823</u>	<u>517,315</u>	<u>589,021</u>	<u>-</u>	<u>1,120,380</u>	<u>302,588</u>	<u>5,172,209</u>
<b><u>EXPENDITURES:</u></b>							
Current:							
General government	-	-	528,986	-	-	-	598,164
Public safety	-	-	-	-	-	-	39,469
Culture and recreation	-	873,452	-	-	-	-	880,280
Economic development	201,355	-	-	-	-	-	361,256
Debt service	102,562	-	19,487	-	60,965	530,819	1,235,118
Total expenditures	<u>303,917</u>	<u>873,452</u>	<u>548,473</u>	<u>-</u>	<u>60,965</u>	<u>530,819</u>	<u>3,114,287</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>(25,094)</u>	<u>(356,137)</u>	<u>40,548</u>	<u>-</u>	<u>1,059,415</u>	<u>(228,231)</u>	<u>2,057,922</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>							
Transfers in	-	125,041	-	-	-	208,820	333,861
Transfers out	-	-	-	-	-	-	(1,468,706)
Total other financing sources (uses)	<u>-</u>	<u>125,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,820</u>	<u>(1,134,845)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(25,094)</u>	<u>(231,096)</u>	<u>40,548</u>	<u>-</u>	<u>1,059,415</u>	<u>(19,411)</u>	<u>923,077</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>157,875</u>	<u>(88,517)</u>	<u>-</u>	<u>24,340</u>	<u>(1,745,540)</u>	<u>101,176</u>	<u>(5,178)</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 132,781</u>	<u>\$ (319,613)</u>	<u>\$ 40,548</u>	<u>\$ 24,340</u>	<u>\$ (686,125)</u>	<u>\$ 81,765</u>	<u>\$ 917,899</u>

See auditors' report.

**CITY OF HERMISTON, OREGON**

**Combined General Fund**

**June 30, 2023**

**General**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenues. Expenditures are primarily for general government operations, culture and recreation, and public safety.

**Revolving Loan**

The Revolving Loan Fund holds residual funds from the City's revolving loan program.

**CITY OF HERMISTON, OREGON**

**BALANCE SHEET**  
**COMBINED GENERAL FUND**  
**June 30, 2023**

	General Fund	Revolving Loan Fund	Combined General Fund
<b><u>ASSETS:</u></b>			
Cash and cash equivalents	\$ 1,305,930	\$ 24,553	\$ 1,330,483
Investments	1,863,165	-	1,863,165
Receivables (net of allowances for uncollectible):			
Property taxes	265,918	-	265,918
Intergovernmental	312,533	-	312,533
Advances to other funds	1,819	-	1,819
Prepaid Expenses	4,375	-	4,375
Total assets	<u>\$ 3,753,740</u>	<u>\$ 24,553</u>	<u>\$ 3,778,293</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES:</u></b>			
Accounts payable and accrued liabilities	\$ 577,779	\$ -	\$ 577,779
Deposits	17,736	-	17,736
Total liabilities	<u>595,515</u>	<u>-</u>	<u>595,515</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Unavailable revenue	222,248	-	222,248
Total deferred inflows of resources	<u>222,248</u>	<u>-</u>	<u>222,248</u>
<b><u>FUND BALANCES:</u></b>			
Nonspendable	6,194	-	6,194
Restricted	454,981	-	454,981
Unassigned	2,474,802	24,553	2,499,355
Total fund balances	<u>2,935,977</u>	<u>24,553</u>	<u>2,960,530</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,753,740</u>	<u>\$ 24,553</u>	<u>\$ 3,778,293</u>

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**COMBINED GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2023**

	General Fund	Revolving Loan Fund	Combined General Fund
<b><u>REVENUES:</u></b>			
Property taxes	\$ 7,109,407	\$ -	\$ 7,109,407
Franchise fees	757,711	-	757,711
Licenses and fees	6,220	-	6,220
Charges for services	3,021,820	-	3,021,820
Intergovernmental	3,157,775	-	3,157,775
Fines and forfeitures	278,062	-	278,062
Investment earnings (losses)	140,184	-	140,184
Miscellaneous	241,977	-	241,977
Total revenues	<u>14,713,156</u>	<u>-</u>	<u>14,713,156</u>
<b><u>EXPENDITURES:</u></b>			
Current:			
General government	3,846,180	-	3,846,180
Public safety	6,587,505	-	6,587,505
Culture and recreation	3,446,464	-	3,446,464
Debt service	603,100	-	603,100
Total expenditures	<u>14,483,249</u>	<u>-</u>	<u>14,483,249</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>229,907</u>	<u>-</u>	<u>229,907</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Transfers in	1,875,446	-	1,875,446
Transfers out	(1,397,802)	-	(1,397,802)
Total other financing sources (uses)	<u>477,644</u>	<u>-</u>	<u>477,644</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>707,551</u>	<u>-</u>	<u>707,551</u>
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>2,228,426</u>	<u>24,553</u>	<u>2,252,979</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 2,935,977</u>	<u>\$ 24,553</u>	<u>\$ 2,960,530</u>



**CITY OF HERMISTON, OREGON**

**Budgetary Comparison Schedules**

**June 30, 2023**

Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, and Minimum Standards for Audits of Oregon Municipal Corporations, require an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net position, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with accounting standards, the City's General Fund and any major special revenue fund are presented as required supplemental information. All other budgetary comparisons are displayed in the following pages as supplemental information.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL, BY DEPARTMENT**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>EXPENDITURES:</u></b>				
City Council	\$ 67,027	\$ 67,127	\$ 57,135	\$ 9,992
Manager/Planning	1,441,735	1,475,385	1,404,373	71,012
Finance	654,929	659,029	647,940	11,089
Legal Counsel	-	-		-
Court	833,378	835,778	635,743	200,035
Transportation	297,000	411,800	411,586	214
Airport	339,000	380,000	364,078	15,922
Building Inspections	600,157	603,257	531,489	71,768
Parks	731,981	735,081	768,742	(33,661)
Parks/Utility Landscaping	66,861	67,061	56,007	11,054
Municipal Pool	585,615	599,315	579,951	19,364
Municipal Buildings	145,173	145,973	147,125	(1,152)
Library	1,024,415	1,028,515	907,468	121,047
Recreation	874,159	877,059	877,227	(168)
Public Safety Center	62,000	62,000	58,330	3,670
Police Operations	6,169,885	6,300,785	6,012,541	288,244
Community Center	256,122	256,822	197,381	59,441
Harkenrider Center	64,064	64,264	59,688	4,576
Non-Departmental	1,779,999	1,774,499	1,561,341	213,158
Transfers Out	658,819	1,460,819	1,554,802	(93,983)
Contingency	53,269	53,269	-	53,269
	<u>\$ 16,705,588</u>	<u>\$ 17,857,838</u>	<u>\$ 16,832,947</u>	<u>\$ 1,024,891</u>
Total expenditures	<u>\$ 16,705,588</u>	<u>\$ 17,857,838</u>	<u>\$ 16,832,947</u>	<u>\$ 1,024,891</u>

**Budgetary Comparison Schedules**  
**Governmental Funds**  
**June 30, 2023**

Governmental Budgetary Comparison schedules included the following:

- **Special Revenue Funds**
  - Transient Room Tax
  - Miscellaneous Special Revenue
  - Christmas Express
  - Law Enforcement
  - Library Reserve
  - Enterprise Zone Project
  - Hermiston Urban Renewal Agency
  - EOTEC Operations
  - Information Technology
  
- **Capital Project Funds**
  - City Hall Construction
  - Reserve
  - Local Improvement District
  
- **Debt Service Fund**
  - Bonded Debt

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**TRANSIENT ROOM TAX FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Transient room taxes	\$ 990,000	\$ 990,000	\$ 1,135,011	\$ 145,011
<b><u>EXPENDITURES:</u></b>				
Current:				
Economic development:				
Materials and services	135,000	135,000	159,901	(24,901)
Debt service	143,800	143,800	143,800	-
Total expenditures	278,800	278,800	303,701	(24,901)
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	711,200	711,200	831,310	120,110
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	(720,000)	(720,000)	(840,866)	(120,866)
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(8,800)	(8,800)	(9,556)	(756)
<b><u>FUND BALANCE, BEGINNING</u></b>	8,800	8,800	183,300	174,500
<b><u>FUND BALANCE, ENDING</u></b>	\$ -	\$ -	\$ 173,744	\$ 173,744

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**MISCELLANEOUS SPECIAL REVENUE FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b><u>REVENUES:</u></b>				
Charges for services	\$ 32,000	\$ 32,000	\$ 70,998	\$ 38,998
Fines and forfeitures	-	-	-	-
Investment earnings	400	400	-	(400)
	<u>32,400</u>	<u>32,400</u>	<u>70,998</u>	<u>38,598</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Materials and services	<u>94,000</u>	<u>94,000</u>	<u>69,178</u>	<u>24,822</u>
Total expenditures	<u>94,000</u>	<u>94,000</u>	<u>69,178</u>	<u>24,822</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(61,600)	(61,600)	1,820	63,420
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers out	<u>(47,000)</u>	<u>(47,000)</u>	<u>-</u>	<u>47,000</u>
<b><u>NET CHANGE IN FUND</u></b>				
<b><u>BALANCES</u></b>	(108,600)	(108,600)	1,820	110,420
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>108,600</u>	<u>108,600</u>	<u>(13,281)</u>	<u>(121,881)</u>
<b><u>FUND BALANCE (DEFICIT), ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,461)</u>	<u>\$ (11,461)</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**CHRISTMAS EXPRESS FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Contributions	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 20,678</u>	<u>\$ 5,678</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Materials and services	<u>30,000</u>	<u>30,000</u>	<u>20,999</u>	<u>9,001</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>20,999</u>	<u>9,001</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(321)</u>	<u>14,679</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>20,000</u>	<u>20,000</u>	<u>46,059</u>	<u>26,059</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 45,738</u>	<u>\$ 40,738</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**LAW ENFORCEMENT FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 30,125	\$ 30,125	\$ 11,744	\$ (18,381)
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Materials and services	45,000	45,000	18,470	26,530
Contingency	20,000	20,000	-	20,000
Total expenditures	65,000	65,000	18,470	46,530
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	(34,875)	(34,875)	(6,726)	28,149
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	3,000	3,000	-	(3,000)
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(31,875)	(31,875)	(6,726)	25,149
<b><u>FUND BALANCE, BEGINNING</u></b>	50,899	50,899	58,527	7,628
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ 19,024</u>	<u>\$ 19,024</u>	<u>\$ 51,801</u>	<u>\$ 32,777</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
LIBRARY RESERVE FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 3,708	\$ (16,292)
Contributions	1,000	1,000	1,943	943
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>5,651</u>	<u>(15,349)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	2,300	2,300	6,828	(4,528)
Capital outlay	1,000	1,000	-	1,000
Contingency	29,700	29,700	-	29,700
Total expenditures	<u>33,000</u>	<u>33,000</u>	<u>6,828</u>	<u>26,172</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	(12,000)	(12,000)	(1,177)	10,823
<b><u>FUND BALANCE, BEGINNING</u></b>				
	12,000	12,000	24,379	12,379
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,202</u>	<u>\$ 23,202</u>



**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
ENTERPRISE ZONE PROJECT FUND  
For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b><u>REVENUES:</u></b>				
Contributions	\$ 1,000,000	\$ 1,000,000	\$ 1,120,000	\$ 120,000
Investment earnings	-	-	-	-
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,120,000</u>	<u>120,000</u>
<b><u>EXPENDITURES:</u></b>				
Contingency	<u>763,374</u>	<u>643,374</u>	<u>-</u>	<u>643,374</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>				
	236,626	356,626	1,120,000	763,374
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(885,325)</u>	<u>(1,005,325)</u>	<u>(1,005,325)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(648,699)	(648,699)	114,675	763,374
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>648,699</u>	<u>648,699</u>	<u>1,244,571</u>	<u>595,872</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,246</u>	<u>\$ 1,359,246</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**HERMISTON URBAN RENEWAL AGENCY FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Property taxes	\$ 270,759	\$ 270,759	\$ 278,823	\$ 8,064
Total revenues	<u>270,759</u>	<u>270,759</u>	<u>278,823</u>	<u>8,064</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Economic development:				
Materials and services	481,000	977,000	201,355	775,645
Debt service	110,687	110,687	102,562	8,125
Contingency	53,975	53,975	-	53,975
Total expenditures	<u>645,662</u>	<u>1,141,662</u>	<u>303,917</u>	<u>837,745</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	(374,903)	(870,903)	(25,094)	845,809
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Loan proceeds	-	496,000	-	(496,000)
Transfers out	-	(320,100)	-	320,100
	<u>-</u>	<u>175,900</u>	<u>-</u>	<u>(175,900)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	(374,903)	(695,003)	(25,094)	669,909
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>374,903</u>	<u>695,003</u>	<u>157,875</u>	<u>(537,128)</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,781</u>	<u>\$ 132,781</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**EOTEC OPERATIONS FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Charges for services	\$ 352,985	\$ 461,985	\$ 289,291	\$ (172,694)
Intergovernmental	25,000	25,000	153,024	128,024
Contributions	75,000	75,000	75,000	-
Total revenues	<u>452,985</u>	<u>561,985</u>	<u>517,315</u>	<u>(44,670)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Personnel services	250,000	483,248	353,170	130,078
Materials and services	377,793	473,068	520,282	(47,214)
Total expenditures	<u>627,793</u>	<u>956,316</u>	<u>873,452</u>	<u>82,864</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>(174,808)</u>	<u>(394,331)</u>	<u>(356,137)</u>	<u>38,194</u>
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers in	<u>105,000</u>	<u>105,000</u>	<u>125,041</u>	<u>20,041</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(69,808)</u>	<u>(289,331)</u>	<u>(231,096)</u>	<u>58,235</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>69,808</u>	<u>289,331</u>	<u>(88,517)</u>	<u>(377,848)</u>
<b><u>FUND BALANCE (DEFICIT), ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (319,613)</u>	<u>\$ (319,613)</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**  
**INFORMATION TECHNOLOGY FUND**

**For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES:</u></b>				
Charges for services	\$ -	\$ 596,000	\$ 589,021	\$ (6,979)
Total revenues	-	596,000	589,021	(6,979)
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Personnel services	-	720,326	682,574	37,752
Materials and services	-	76,674	75,899	775
Capital Outlay	-	9,000	-	9,000
Total expenditures	-	806,000	758,473	47,527
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>				
	-	(210,000)	(169,452)	40,548
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers in	-	210,000	210,000	-
<b><u>NET CHANGE IN FUND</u></b>				
<b><u>BALANCES</u></b>				
	-	-	40,548	40,548
<b><u>FUND BALANCE, BEGINNING</u></b>				
	-	-	-	-
<b><u>FUND BALANCE (DEFICIT), ENDING</u></b>				
	\$ -	\$ -	\$ 40,548	\$ 40,548

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CITY HALL CONSTRUCTION FUND**  
**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b><u>EXPENDITURES:</u></b>				
Capital outlay	877,836	1,842,936	1,048,879	794,057
Total expenditures	877,836	1,842,936	1,048,879	794,057
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	(877,836)	(1,842,936)	(1,048,879)	794,057
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers in		965,100	645,000	(320,100)
Total other financing sources	-	965,100	645,000	(320,100)
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(877,836)	(877,836)	(403,879)	473,957
<b><u>FUND BALANCE, BEGINNING</u></b>	877,836	877,836	(157,256)	(1,035,092)
<b><u>FUND BALANCE (DEFICIT), ENDING</u></b>	\$ -	\$ -	\$ (561,135)	\$ (561,135)

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
RESERVE FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 7,066,400	\$ 7,616,400	\$ 1,216,094	\$ (6,400,306)
Capital Grants	-	-	3,034,264	3,034,264
Contributions	-	-	36,406	36,406
System development charges	145,000	145,000	241,645	96,645
Investment earnings (losses)	-	-	71,874	71,874
Miscellaneous	1	1	1,218	1,217
Total revenues	<u>7,211,401</u>	<u>7,761,401</u>	<u>4,601,501</u>	<u>(3,159,900)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Materials and services	575,000	675,000	279,946	395,054
Capital outlay	12,271,239	19,761,766	8,313,710	11,448,056
Debt Service	-	-	25,000	(25,000)
Contingency	1,528,050	1,341,923	-	1,341,923
Total expenditures	<u>14,374,289</u>	<u>21,778,689</u>	<u>8,618,656</u>	<u>13,160,033</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(7,162,888)</u>	<u>(14,017,288)</u>	<u>(4,017,155)</u>	<u>10,000,133</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Interfund Loan	450,000	5,304,400	-	(5,304,400)
Transfers in	3,134,651	3,522,791	3,594,549	71,758
Total other financing sources (uses)	<u>3,584,651</u>	<u>8,827,191</u>	<u>3,594,549</u>	<u>(5,232,642)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	<u>(3,578,237)</u>	<u>(5,190,097)</u>	<u>(422,606)</u>	<u>4,767,491</u>
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>4,672,631</u>	<u>6,284,491</u>	<u>8,546,170</u>	<u>2,261,679</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ 1,094,394</u>	<u>\$ 1,094,394</u>	<u>\$ 8,123,564</u>	<u>\$ 7,029,170</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL**

**LOCAL IMPROVEMENT DISTRICT FUND**

**For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>				
Intergovernmental	\$ -	\$ -	\$ 1,042,183	\$ 1,042,183
Miscellaneous	-	61,000	78,197	17,197
Total revenues	-	61,000	1,120,380	1,059,380
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Materials and services	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	61,000	60,965	35
Total expenditures	-	61,000	60,965	35
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	-	-	1,059,415	1,059,415
<b><u>OTHER FINANCING SOURCES:</u></b>				
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
<b><u>NET CHANGE IN FUND</u></b>				
<b><u>BALANCES</u></b>	-	-	1,059,415	1,059,415
<b><u>FUND BALANCE, BEGINNING</u></b>	-	-	(1,745,540)	(1,745,540)
<b><u>FUND BALANCE (DEFICIT),</u></b>				
<b><u>ENDING</u></b>	\$ -	\$ -	\$ (686,125)	\$ (686,125)

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**BONDED DEBT FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Property taxes	<u>\$ 317,480</u>	<u>\$ 317,480</u>	<u>\$ 302,588</u>	<u>\$ (14,892)</u>
Total revenues	<u>317,480</u>	<u>317,480</u>	<u>302,588</u>	<u>(14,892)</u>
<b><u>EXPENDITURES:</u></b>				
Debt service	<u>531,720</u>	<u>531,720</u>	<u>530,819</u>	<u>901</u>
Total expenditures	<u>531,720</u>	<u>531,720</u>	<u>530,819</u>	<u>901</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>(214,240)</u>	<u>(214,240)</u>	<u>(228,231)</u>	<u>(13,991)</u>
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers in	<u>208,819</u>	<u>208,819</u>	<u>208,820</u>	<u>1</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	<u>(5,421)</u>	<u>(5,421)</u>	<u>(19,411)</u>	<u>(13,990)</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>107,719</u>	<u>107,719</u>	<u>101,176</u>	<u>(6,543)</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ 102,298</u>	<u>\$ 102,298</u>	<u>\$ 81,765</u>	<u>\$ (20,533)</u>



**Budgetary Comparison Schedules**  
**Proprietary Funds**  
**June 30, 2023**

**Enterprise Funds**

- Energy Operations
  - Energy Services
  
- Utility Operations
  - Utility
  
- Regional Water Operations
  - Regional Water

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**ENERGY SERVICES FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Charges for services	\$ 9,800,000	\$ 9,800,000	\$ 11,313,445	\$ 1,513,445
Investment earnings (losses)	10,000	10,000	54,532	44,532
Total revenues	<u>9,810,000</u>	<u>9,810,000</u>	<u>11,367,977</u>	<u>1,557,977</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Personnel services	200,807	202,207	200,665	1,542
Materials and services	7,707,683	7,702,683	7,888,298	(185,615)
Capital outlay	800,000	800,000	771,316	28,684
Debt service	1,071,250	1,076,250	1,071,250	5,000
Contingency	2,549,704	2,548,304	-	2,548,304
Total expenditures	<u>12,329,444</u>	<u>12,329,444</u>	<u>9,931,529</u>	<u>2,397,915</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(2,519,444)</u>	<u>(2,519,444)</u>	<u>1,436,448</u>	<u>3,955,892</u>
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers out	<u>(165,690)</u>	<u>(165,690)</u>	<u>(166,745)</u>	<u>(1,055)</u>
Total other financing sources	<u>(165,690)</u>	<u>(165,690)</u>	<u>(166,745)</u>	<u>(1,055)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(2,685,134)</u>	<u>(2,685,134)</u>	<u>1,269,703</u>	<u>3,954,837</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>2,685,134</u>	<u>2,685,134</u>	<u>3,542,400</u>	<u>857,266</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>4,812,103</u>	<u>\$ 4,812,103</u>
<b><u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u></b>				
Prepaid items			3,818	
Capital assets, net of depreciation			15,664,296	
Deferred amounts on refunding			128,733	
Deferred outflows - pension			70,345	
Deferred outflows - OPEB			1,858	
Other post employment benefits asset			3,263	
Deferred inflows - pension			(49,446)	
Deferred inflows - OPEB			(3,602)	
Accrued interest payable			(33,446)	
Net pension liability			(168,684)	
Other post employment benefits liability			(10,334)	
Long-term debt			(12,399,698)	
<b><u>NET POSITION, ENDING</u></b>			<u>\$ 8,019,206</u>	

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**UTILITY FUND**

**For the Fiscal Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Charges for services	\$ 10,398,000	\$ 10,398,000	\$ 11,481,773	\$ 1,083,773
Investment earnings (losses)	-	-	2,766	2,766
Total revenues	<u>10,398,000</u>	<u>10,398,000</u>	<u>11,484,539</u>	<u>1,086,539</u>
<b><u>EXPENDITURES:</u></b>				
Sewer	2,546,281	3,167,484	2,879,706	287,778
Water	2,266,372	2,380,322	1,933,372	446,950
Debt service	2,109,850	2,109,850	2,233,397	(123,547)
Contingency	2,156,303	989,010	-	989,010
Total expenditures	<u>9,078,806</u>	<u>8,646,666</u>	<u>7,046,475</u>	<u>1,600,191</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>				
	<u>1,319,194</u>	<u>1,751,334</u>	<u>4,438,064</u>	<u>2,686,730</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	377,500	377,500	377,500	-
Transfers out	(2,727,585)	(3,159,725)	(3,145,782)	13,943
Total other financing sources (uses)	<u>(2,350,085)</u>	<u>(2,782,225)</u>	<u>(2,768,282)</u>	<u>13,943</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	<u>(1,030,891)</u>	<u>(1,030,891)</u>	<u>1,669,782</u>	<u>2,700,673</u>
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>1,030,891</u>	<u>1,030,891</u>	<u>5,105,048</u>	<u>4,074,157</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>6,774,830</u>	<u>\$ 6,774,830</u>
<b><u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u></b>				
Prepaid items			58,868	
Capital assets, net of depreciation			47,830,982	
Lease asset, net of amortization			266,836	
Deferred outflows - pension			727,809	
Deferred outflows - OPEB			19,220	
Other post employment benefits asset			33,759	
Deferred inflows - pension			(511,578)	
Deferred inflows - OPEB			(37,269)	
Accrued interest payable			(94,413)	
Compensated absences			(114,804)	
Net pension liability			(1,745,255)	
Other post employment benefits liability			(106,919)	
Long-term debt			(20,865,041)	
<b><u>NET POSITION, ENDING</u></b>			<u>\$ 32,237,025</u>	

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**REGIONAL WATER FUND**

**For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b><u>REVENUES:</u></b>				
Charges for services	\$ 1,100,000	\$ 1,100,000	\$ 1,094,898	\$ (5,102)
Investment earnings	1,000	1,000	-	(1,000)
Miscellaneous	250,000	250,000	111	(249,889)
Total revenues	1,351,000	1,351,000	1,095,009	(255,991)
<b><u>EXPENDITURES:</u></b>				
Current:				
Personnel services	270,211	271,711	208,659	63,052
Materials and services	676,600	676,600	500,668	175,932
Contingency	668,622	667,122	-	667,122
Total expenditures	1,615,433	1,615,433	709,327	906,106
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	(264,433)	(264,433)	385,682	650,115
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	(259,220)	(259,220)	(257,810)	1,410
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(523,653)	(523,653)	127,872	651,525
<b><u>FUND BALANCE, BEGINNING</u></b>	523,653	523,653	677,516	153,863
<b><u>FUND BALANCE, ENDING</u></b>	\$ -	\$ -	805,388	\$ 805,388
<b><u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u></b>				
Prepaid items			4,541	
Capital assets, net of depreciation			10,081,772	
Deferred outflows - pension			70,304	
Deferred outflows - OPEB			1,857	
Other post employment benefits asset			3,261	
Deferred inflows - pension			(49,417)	
Deferred inflows - OPEB			(3,600)	
Net pension liability			(168,587)	
Other post employment benefits liability			(10,328)	
<b><u>NET POSITION, ENDING</u></b>			\$ 10,735,191	

See auditors' report.

**STATISTICAL SECTION**

**STATISTICAL SECTION**  
**June 30, 2023**

This section provides further details as a framework for a better understanding of the financial statements.

**Financial Trends**

- **Energy Operations**
  - These schedules contain trend information to help the reader understand how financial performance has changed over time.
- **Revenue Capacity**
  - These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.
- **Debt Capacity**
  - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.
- **Demographic and Economic Information**
  - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.
- **Operating Information**
  - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

## **FINANCIAL TRENDS**

**CITY OF HERMISTON, OREGON**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 9,863,841	\$ 9,442,030	\$ 12,617,100	\$ 13,373,217	\$ 31,874,245	\$ 29,794,306	\$ 28,422,213	\$ 26,961,933	\$ 35,021,440	\$ 36,628,189
Restricted	1,721,429	2,238,796	2,210,641	2,645,719	4,398,893	5,160,279	2,841,382	4,486,175	5,056,001	5,639,070
Unrestricted	12,159,756	11,780,711	11,704,803	10,234,333	433,032	(970,948)	(471,226)	(2,136,957)	(6,831,866)	(5,794,604)
Total governmental activities net position	23,745,026	23,461,537	26,532,544	26,253,269	36,706,170	33,983,637	30,792,369	29,311,151	33,245,575	36,472,655
Business-type activities										
Net investment in capital assets	13,797,360	19,175,468	21,719,929	21,734,246	24,632,313	27,809,561	30,340,724	31,359,001	33,935,276	40,707,880
Restricted	4,766,504	910,400	-	-	-	-	-	-	-	-
Unrestricted	3,881,085	4,976,113	5,698,050	3,834,883	1,858,363	2,639,292	3,582,390	5,748,967	7,122,499	10,283,542
Total business-type activities net position	22,444,949	25,061,981	27,417,979	25,569,129	26,490,676	30,448,853	33,923,114	37,107,968	41,057,775	50,991,422
Primary government										
Net investment in capital assets	23,661,201	25,998,378	31,962,821	32,983,167	54,642,174	56,004,395	58,762,937	58,320,934	68,956,716	77,336,069
Restricted	6,487,933	3,149,196	2,210,641	2,645,719	4,398,893	5,160,279	2,841,382	4,486,175	5,056,001	5,639,070
Unrestricted	16,040,841	19,375,944	19,777,061	16,193,512	4,155,779	3,267,816	3,111,164	3,612,010	290,633	4,488,938
Total primary government net position	\$ 46,189,975	\$ 48,523,518	\$ 53,950,523	\$ 51,822,398	\$ 63,196,846	\$ 64,432,490	\$ 64,715,483	\$ 66,419,119	\$ 74,303,350	\$ 87,464,077



**CITY OF HERMISTON, OREGON**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,235,974	\$ 2,228,173	\$ 3,163,574	\$ 2,871,501	\$ 3,339,591	\$ 3,417,935	\$ 3,932,518	\$ 5,835,383	\$ 4,581,091	\$ 5,147,152
Public safety	4,206,167	3,435,296	6,245,648	5,309,128	5,539,752	5,661,003	6,424,506	7,156,041	6,166,511	6,434,262
Highways and streets	1,137,768	900,581	1,333,965	1,119,273	1,405,178	2,281,464	2,118,020	1,948,404	1,838,832	1,930,439
Culture and recreation	2,574,869	3,314,985	4,850,208	2,625,972	4,590,328	4,730,222	4,833,141	4,934,746	5,116,819	5,116,423
Economic development	-	77,207	82,723	309,524	441,929	148,570	77,848	102,096	83,168	285,256
Interest on long-term debt	79,275	164,052	158,589	174,004	274,552	255,568	283,832	272,023	497,181	488,469
Total governmental activities expenses	10,234,053	10,120,294	15,834,707	12,409,402	15,591,330	16,494,762	17,669,865	20,248,693	18,283,602	19,402,001
Business-type activities:										
Water	2,958,897	2,407,687	3,640,686	3,765,539	3,962,160	4,079,548	3,802,694	3,952,090	3,942,951	3,729,528
Sewer	1,839,835	1,932,688	3,456,671	4,538,393	3,130,807	3,637,673	3,978,127	3,598,968	4,097,476	4,498,096
Electric Operations	7,484,555	7,380,813	7,663,289	7,863,889	8,061,520	8,311,917	8,455,151	8,536,740	8,634,460	8,676,357
Total business-type activities expenses	12,283,287	11,721,188	14,760,646	16,167,821	15,154,487	16,029,138	16,235,972	16,087,798	16,674,887	16,903,981
Total primary government expenses	\$ 22,517,340	\$ 21,841,482	\$ 30,595,353	\$ 28,577,223	\$ 30,745,817	\$ 32,523,900	\$ 33,905,837	\$ 36,336,491	\$ 34,958,489	\$ 36,305,982
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 846,514	\$ 593,195	\$ 612,955	\$ 644,829	\$ 623,338	\$ 639,535	\$ 1,339,454	\$ 2,951,194	\$ 1,527,502	\$ 2,536,117
Public Safety	777,567	911,960	952,067	776,501	809,235	677,931	488,462	290,053	394,464	630,905
Cultural and recreation	618,789	699,689	646,763	578,159	823,542	1,050,747	833,104	410,010	939,333	1,089,874
Economic development	-	195,851	320,511	289,107	534,812	446,697	-	-	-	241,645
Operating grants and contributions	92,624	1,160,072	1,621,506	1,723,329	1,806,494	1,975,875	2,409,179	1,994,939	1,481,810	1,436,454
Capital grants and contributions	673,801	3,025,502	8,620,793	835,737	4,481,709	1,386,740	896,063	1,610,676	6,428,110	8,273,864
Total governmental activities program revenues	3,009,295	6,586,269	12,774,595	4,847,662	9,079,130	6,177,525	5,966,262	7,256,872	10,771,219	14,208,859
Business-type activities:										
Charges for services:										
Water	3,065,357	3,375,433	3,631,599	3,528,905	3,938,030	4,776,913	5,406,535	6,163,658	6,165,153	6,395,437
Sewer	1,925,266	2,125,495	2,231,320	2,424,033	2,588,829	3,504,177	4,710,812	4,919,046	5,080,021	6,181,345
Electricity	7,363,082	7,397,090	8,124,700	8,582,818	8,854,864	9,105,483	8,581,271	9,711,135	10,432,454	11,313,445
Capital grants and contributions	-	185,549	1,638,740	-	1,063,494	864,223	143,193	-	-	-
Total business-type activities program revenues	12,353,705	13,083,567	15,626,359	14,535,756	16,445,217	18,250,796	18,841,811	20,793,839	21,677,628	23,890,227
Total primary government program revenues	\$ 15,363,000	\$ 19,669,836	\$ 28,400,954	\$ 19,383,418	\$ 25,524,347	\$ 24,428,321	\$ 24,808,073	\$ 28,050,711	\$ 32,448,847	\$ 38,099,086
Net (expense)/revenue										
Governmental activities	(7,224,758)	(3,534,025)	(3,060,112)	(7,561,740)	(6,512,200)	(10,317,237)	(11,703,603)	(12,991,821)	(7,512,383)	(5,193,142)
Business-type activities	70,418	1,362,379	865,713	(1,632,065)	1,290,730	2,221,658	2,605,839	4,706,041	5,002,741	6,986,246
Total primary government net expense	\$ (7,154,340)	\$ (2,171,646)	\$ (2,194,399)	\$ (9,193,805)	\$ (5,221,470)	\$ (8,095,579)	\$ (9,097,764)	\$ (8,285,780)	\$ (2,509,642)	\$ 1,793,104

Continued

**CITY OF HERMISTON, OREGON**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Continued

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 4,961,148	\$ 5,228,716	\$ 5,324,750	\$ 5,452,002	\$ 5,923,273	\$ 6,190,692	\$ 6,491,744	\$ 6,755,220	\$ 7,228,103	\$ 7,743,261
Franchise fee and transient room taxes	409,002	929,148	972,207	1,209,024	1,518,744	1,723,549	1,630,306	1,797,692	1,892,282	1,892,722
Payments in lieu of taxes	-	-	-	-	-	-	500,000	1,000,000	950,000	1,120,000
Public service taxes	2,189,440	467,937	-	-	-	-	-	-	-	-
Investment earnings (losses)	130,246	87,699	85,479	53,797	76,779	271,816	237,102	44,607	(135,259)	212,058
Change in joint venture net position	(98,357)	54,909	-	-	-	-	-	-	-	-
Other revenues	227,062	185,408	112,643	204,440	396,412	982,393	370,614	238,688	536,207	342,284
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	(48,259)	40,200	-
Extraordinary items	-	-	-	-	-	-	159,890	189,235	-	-
Transfers	(34,068)	1,065,243	(404,760)	363,202	324,231	(1,573,746)	(907,788)	1,541,420	968,849	(2,890,103)
Total governmental activities	<u>7,784,473</u>	<u>8,019,060</u>	<u>6,090,319</u>	<u>7,282,465</u>	<u>8,239,439</u>	<u>7,594,704</u>	<u>8,481,868</u>	<u>11,518,603</u>	<u>11,480,382</u>	<u>8,420,222</u>
Business-type activities:										
Investment earnings (losses)	40,595	76,640	56,851	21,418	109,788	162,773	94,364	20,233	(42,856)	57,298
Other revenues	217,916	141,668	118,975	-	-	-	-	-	-	-
Transfers	34,068	(1,065,243)	404,760	(363,202)	(324,231)	1,573,746	907,788	(1,541,420)	(968,849)	2,890,103
Total business-type activities	<u>292,579</u>	<u>(846,935)</u>	<u>580,586</u>	<u>(341,784)</u>	<u>(214,443)</u>	<u>1,736,519</u>	<u>1,002,152</u>	<u>(1,521,187)</u>	<u>(1,011,705)</u>	<u>2,947,401</u>
Total primary government	<u>\$ 8,077,052</u>	<u>\$ 7,172,125</u>	<u>\$ 6,670,905</u>	<u>\$ 6,940,681</u>	<u>\$ 8,024,996</u>	<u>\$ 9,331,223</u>	<u>\$ 9,484,020</u>	<u>\$ 9,997,416</u>	<u>\$ 10,468,677</u>	<u>\$ 11,367,623</u>
<b>Change in Net Position</b>										
Governmental activities	559,715	4,485,035	3,030,207	(279,275)	1,727,239	(2,722,533)	8,481,868	(1,481,218)	3,967,999	3,227,080
Business-type activities	362,997	515,444	1,446,299	(1,973,849)	1,076,287	3,958,177	1,002,152	3,184,854	3,991,036	9,933,647
Total primary government	<u>\$ 922,712</u>	<u>\$ 5,000,479</u>	<u>\$ 4,476,506</u>	<u>\$ (2,253,124)</u>	<u>\$ 2,803,526</u>	<u>\$ 1,235,644</u>	<u>\$ 9,484,020</u>	<u>\$ 1,703,636</u>	<u>\$ 7,959,035</u>	<u>\$ 13,160,727</u>

**CITY OF HERMISTON, OREGON**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Nondisposable	\$ -	\$ -	\$ -	\$ 140,838	\$ 30,031	\$ 20,936	\$ 103,236	\$ 1,819	\$ 1,819	\$ 6,194
Restricted	-	-	-	82,415	82,415	82,415	-	158,896	158,896	454,981
Assigned	1,502,800	1,553,269	207,250	-	-	-	-	-	-	-
Unassigned	3,204,434	3,513,484	4,501,800	3,879,518	3,300,157	2,983,175	2,250,567	809,894	809,894	2,499,355
Total general fund	<u>\$ 4,707,234</u>	<u>\$ 5,066,753</u>	<u>\$ 4,709,050</u>	<u>\$ 4,102,771</u>	<u>\$ 3,412,603</u>	<u>\$ 3,086,526</u>	<u>\$ 2,353,803</u>	<u>\$ 970,609</u>	<u>\$ 970,609</u>	<u>\$ 2,960,530</u>
All other governmental funds										
Nondisposable	\$ 1,501,658	\$ -	\$ -	\$ 26,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,094
Restricted	1,721,429	2,238,796	2,210,641	4,062,291	4,316,478	5,077,864	2,841,382	11,635,548	11,635,548	5,184,089
Committed	5,178,081	6,097,014	5,237,009	5,332,394	3,546,055	2,929,464	4,428,344	5,890,989	5,890,989	5,284,473
Assigned	-	-	-	42,051	44,725	9,136	-	-	-	-
Unassigned	-	-	-	(92,255)	-	-	-	-	(979,745)	(1,540,880)
Total all other governmental funds	<u>\$ 8,401,168</u>	<u>\$ 8,335,810</u>	<u>\$ 7,447,650</u>	<u>\$ 9,370,815</u>	<u>\$ 7,907,258</u>	<u>\$ 8,016,464</u>	<u>\$ 7,269,726</u>	<u>\$ 17,526,537</u>	<u>\$ 16,546,792</u>	<u>\$ 8,930,776</u>
Total all funds	<u>\$ 13,108,402</u>	<u>\$ 13,402,563</u>	<u>\$ 12,156,700</u>	<u>\$ 13,473,586</u>	<u>\$ 11,319,861</u>	<u>\$ 11,102,990</u>	<u>\$ 9,623,529</u>	<u>\$ 18,497,146</u>	<u>\$ 17,517,401</u>	<u>\$ 11,891,306</u>

**CITY OF HERMISTON, OREGON**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes	\$ 5,167,710	\$ 5,250,162	\$ 5,307,456	\$ 5,456,324	\$ 5,926,552	\$ 6,187,004	\$ 6,467,328	\$ 6,796,654	\$ 7,220,123	\$ 7,690,818
Payments in lieu of taxes	-	-	-	-	-	-	500,000	1,000,000	950,000	1,120,000
Transient room tax	588,111	515,452	558,871	782,067	984,071	926,586	811,074	833,963	1,128,274	1,135,011
Licenses & franchise fees	413,657	413,696	413,336	421,448	534,674	748,700	800,660	968,681	769,918	763,931
Charges for services	1,572,120	1,654,459	1,765,558	1,566,909	1,956,274	2,368,392	2,119,219	3,105,674	2,817,574	8,348,249
Intergovernmental	1,471,670	1,638,379	1,690,476	2,811,297	5,227,069	3,160,150	2,196,528	3,849,738	6,342,308	6,180,372
Fines and forfeits	666,095	802,025	838,433	644,588	644,247	509,026	488,462	296,041	404,333	278,062
Investment earnings (losses)	130,246	87,699	85,479	53,797	76,780	271,816	237,102	44,607	(135,259)	212,058
Miscellaneous	992,713	3,144,751	6,784,708	350,195	961,443	802,736	1,022,093	745,115	1,020,033	342,284
<b>Total revenues</b>	<b>11,002,322</b>	<b>13,506,623</b>	<b>17,444,317</b>	<b>12,086,625</b>	<b>16,311,110</b>	<b>14,974,410</b>	<b>14,642,466</b>	<b>17,640,473</b>	<b>20,517,304</b>	<b>26,070,785</b>
<b>Expenditures</b>										
General government	2,157,645	2,161,681	2,720,375	2,566,425	3,176,898	3,209,785	3,373,156	4,855,341	4,137,580	4,639,256
Public safety	4,140,332	4,226,920	4,446,364	4,785,629	5,006,134	5,322,712	5,785,254	5,983,297	6,233,133	6,626,974
Highways and streets	733,546	635,584	689,398	660,187	1,059,168	974,221	1,530,214	1,212,785	1,258,209	4,326,744
Economic development	-	77,207	82,723	411,483	441,929	148,571	77,848	102,096	83,168	361,256
Culture and recreation	2,297,946	2,115,784	2,187,217	2,202,457	3,208,489	3,471,048	3,446,128	3,332,975	4,121,891	1,327,349
Capital outlay	1,033,467	4,124,944	7,820,601	3,884,238	7,791,443	1,493,196	3,013,203	4,283,602	11,521,016	3,075,373
Debt service										
Principle	135,000	330,000	335,000	340,000	723,386	744,456	830,500	808,594	1,180,977	1,432,754
Interest	96,085	183,523	177,635	171,590	286,237	276,866	191,407	278,926	506,626	500,635
<b>Total expenditures</b>	<b>10,594,021</b>	<b>13,855,643</b>	<b>18,459,313</b>	<b>15,022,009</b>	<b>21,693,684</b>	<b>15,640,855</b>	<b>18,247,710</b>	<b>20,857,616</b>	<b>29,042,600</b>	<b>22,290,341</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>408,301</b>	<b>(349,020)</b>	<b>(1,014,996)</b>	<b>(2,935,384)</b>	<b>(5,382,574)</b>	<b>(666,445)</b>	<b>(3,605,244)</b>	<b>(3,217,143)</b>	<b>(8,525,296)</b>	<b>3,780,444</b>
<b>Other financing sources (uses)</b>										
Transfers in	2,406,591	3,284,002	2,628,310	3,248,918	5,354,989	3,205,906	4,468,762	6,165,136	6,326,644	6,448,856
Transfers out	(2,440,659)	(1,224,458)	(2,899,977)	(2,711,585)	(4,217,098)	(4,779,652)	(5,376,550)	(4,623,716)	(5,357,795)	(9,338,959)
Change in joint venture fund balance	(195,218)	-	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	3,595,000	-	1,431,613	2,873,681	10,329,638	60,266	-
Bond premium	-	-	-	119,939	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	591,706	159,890	189,235	-	-
<b>Total other financing sources (uses)</b>	<b>(229,286)</b>	<b>2,059,544</b>	<b>(271,667)</b>	<b>4,252,272</b>	<b>1,137,891</b>	<b>449,573</b>	<b>2,125,783</b>	<b>12,060,293</b>	<b>1,029,115</b>	<b>(2,890,103)</b>
<b>Net change in fund balances</b>	<b>\$ 179,015</b>	<b>\$ 1,710,524</b>	<b>\$ (1,286,663)</b>	<b>\$ 1,316,888</b>	<b>\$ (4,244,683)</b>	<b>\$ (216,872)</b>	<b>\$ (1,479,461)</b>	<b>\$ 8,843,150</b>	<b>\$ (7,496,181)</b>	<b>\$ 890,341</b>
Debt service as a percentage of non-capital expenditures (debt/Other Exp) - Capital Additions)	2.42%	3.82%	3.52%	3.79%	7.33%	6.90%	6.71%	6.56%	9.63%	10.37%

**REVENUE CAPACITY**

**CITY OF HERMISTON, OREGON**  
**MARKET AND ASSESSED VALUE**  
**OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Real Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2014	747,023,905	36,202,580	24,317,000	807,543,485	6.49	935,091,901	86.36%
2015	769,409,690	46,304,920	25,825,983	841,540,593	6.90	986,977,008	85.26%
2016	802,031,496	46,400,570	28,571,490	877,003,556	6.82	1,033,085,828	84.89%
2017	878,853,797	52,015,630	29,749,456	960,618,883	6.82	1,070,438,667	89.74%
2018	908,387,673	53,982,515	37,046,460	999,416,648	6.86	1,187,064,794	84.19%
2019	970,296,037	48,911,862	36,695,540	1,055,903,439	6.53	1,225,505,098	86.16%
2020	972,755,565	48,894,532	36,695,540	1,058,345,637	6.52	1,369,007,522	77.31%
2021	1,023,695,133	52,624,030	36,810,555	1,113,129,718	6.51	1,450,321,949	76.75%
2022	1,071,497,274	55,371,316	37,636,940	1,164,505,530	6.51	1,622,258,494	71.78%
2023	1,157,230,560	55,634,364	45,372,600	1,258,237,524	6.49	1,936,972,678	64.96%

Source: Umatilla County Assessment and Taxation

**CITY OF HERMISTON, OREGON**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING DEBT SCHEDULE**  
**June 30, 2023**

	Fiscal Year Ended June 30,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Direct rates:</u></b>										
City of Hermiston - general	6.00	6.01	6.01	6.02	6.02	6.09	6.09	6.09	6.09	6.09
City of Hermiston - bond	0.25	0.27	0.28	0.30	0.32	0.34	0.30	0.30	0.38	0.40
Hermiston Urban Renewal District	0.24	0.23	0.22	0.20	0.19	0.43	0.43	0.43	0.43	-
Total direct rates	<u>6.49</u>	<u>6.51</u>	<u>6.51</u>	<u>6.52</u>	<u>6.53</u>	<u>6.86</u>	<u>6.82</u>	<u>6.82</u>	<u>6.90</u>	<u>6.49</u>
<b><u>Overlapping rates:</u></b>										
Umatilla County	2.81	2.81	2.81	2.82	2.82	2.85	2.85	3.04	3.03	3.06
Hermiston School District #8	8.16	8.33	8.36	8.39	8.93	9.00	8.94	8.97	9.02	9.02
Intermountain E.S.D.	0.61	0.61	0.61	0.61	0.61	0.62	0.62	0.62	0.62	0.62
Blue Mountain Community College	0.84	0.85	0.87	0.87	0.65	0.66	0.66	0.66	0.66	0.95
Port of Umatilla	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hermiston Cemetery District #8	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Umatilla County Fire District #1	1.97	1.89	1.73	1.73	1.73	1.75	1.75	1.20	1.20	1.20
Umatilla Morrow Radio and Data District	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
West Umatilla Mosquito Control District	0.20	0.20	0.20	0.20	0.20	0.29	0.29	0.28	0.24	0.38
Total overlapping rates	<u>15.00</u>	<u>15.10</u>	<u>14.98</u>	<u>15.03</u>	<u>15.35</u>	<u>15.58</u>	<u>15.52</u>	<u>15.18</u>	<u>15.18</u>	<u>15.64</u>
Total Rates	<u>21.49</u>	<u>21.61</u>	<u>21.50</u>	<u>21.55</u>	<u>21.88</u>	<u>22.44</u>	<u>22.34</u>	<u>22.00</u>	<u>22.08</u>	<u>22.13</u>

**CITY OF HERMISTON, OREGON**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Nine Years Ago**

	<b>2023</b>			<b>2014</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
<b>Taxpayer</b>						
Wal-Mart Stores East LP	\$ 34,952,250	1	2.78%	\$ 33,940,090	1	4.20%
Pioneer HI Bred	20,103,640	2	1.60%			0.00%
Starline Properties, LLC	13,702,080	3	1.09%			0.00%
Charter Communications	11,626,499	4	0.92%	5,436,300	9	0.70%
Wal-Mart/Sam's Club-BPP USO6037	10,919,790	5	0.87%	7,946,990	5	1.00%
Teton Venture LLC & Triumph Property	10,631,390	6	0.84%			0.00%
Wal-Mart Real Estate Business Trust	10,440,890	7	0.83%			0.00%
Pioneer Hybrid International Inc.	10,275,990	8	0.82%			0.00%
HD Development of Maryland, Inc.	9,895,940	9	0.79%	8,547,740	3	1.10%
CMH Manufacturing West, Inc.	8,843,930	10	0.70%			0.00%
Retail Trust #2			0.00%	9,256,340	2	1.10%
Hermiston Station, LLC			0.00%	8,294,100	4	1.00%
Umatilla Electric Cooperative			0.00%	6,514,200	6	0.80%
Good Shepherd Hospital			0.00%	6,340,590	7	0.80%
Hermiston Foods, LLC			0.00%	5,824,380	8	0.70%
CDS Hermiston, LLC			0.00%	5,051,380	10	0.60%
<b>Totals</b>	<b>\$ 141,392,399</b>		<b>11.24%</b>	<b>\$ 97,152,110</b>		<b>12.00%</b>

Source: Umatilla County Assessment and Taxation



**CITY OF HERMISTON, OREGON**  
**PROPERTY TAX LEVIES AND COLLECTIONS TO DATE**  
**Last Ten Fiscal Years**

Tax Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 5,073,454	\$ 4,760,155	93.8%	310,894	\$ 5,071,049	99.9%
2015	5,351,320	5,024,002	93.9%	326,627	5,350,629	99.9%
2016	5,454,892	5,145,592	94.3%	308,617	5,454,209	99.9%
2017	5,413,837	5,180,279	95.7%	232,805	5,413,084	99.9%
2018	6,049,818	5,685,934	94.0%	362,403	6,048,337	100.0%
2019	6,017,553	5,648,487	93.9%	366,228	6,014,715	100.0%
2020	6,658,479	6,302,549	94.7%	342,002	6,644,551	99.8%
2021	7,010,451	6,638,283	94.7%	333,003	6,971,286	99.4%
2022	7,393,156	6,638,283	89.8%	692,682	7,330,965	99.2%
2023	8,034,505	7,690,818	95.7%	-	7,690,818	95.7%

**DEBT CAPACITY**

**CITY OF HERMISTON, OREGON**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business - Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	Population
	General Obligation Bonds	Notes Payable	Leases	Revenue Bonds	Refunding Bonds	Notes Payable	Leases				
2014	\$ 3,125,000	\$ -	-	\$ 16,770,000	\$ 3,624,471	\$ 16,231,556	-	\$ 39,751,027	6.83%	2,306	17,240
2015	5,758,275	-	-	17,273,873	-	21,142,806	-	44,174,954	7.08%	2,521	17,520
2016	5,407,021	-	-	16,669,541	-	20,719,793	-	42,796,355	6.54%	2,414	17,730
2017	8,763,957	-	-	24,629,300	-	19,864,333	-	53,257,590	7.87%	2,971	17,925
2018	8,256,706	491,614	-	23,742,978	-	18,985,572	-	51,476,870	7.21%	2,862	17,985
2019	7,734,455	1,678,771	27,891	22,826,656	-	18,082,872	102,375	50,453,020	6.61%	2,772	18,200
2020	5,857,644	4,269,203	577,559	23,219,894	-	17,155,572	141,623	51,221,495	6.24%	2,782	18,415
2021	15,041,257	4,886,547	504,305	38,260,393	-	-	151,135	58,843,637	6.47%	3,134	18,775
2022	14,458,736	4,643,269	549,576	35,865,161	-	-	166,109	55,682,851	5.75%	2,827	19,696
2023	13,868,523	4,270,142	581,061	33,419,073	-	-	295,490	52,434,289	N/A	2,580	20,322

Notes:

- In 2015 the City transferred \$2,859,036 general obligations bonds from business-type activities to governmental activities
- N/A - Not Available

**CITY OF HERMISTON, OREGON**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>
2014	\$ 3,125,000	\$ 312,026	\$ 2,812,974	0.35%	163	17,240	\$ 807,543,485
2015	5,758,275	313,447	5,444,828	0.65%	311	17,520	841,540,593
2016	5,407,021	246,965	5,160,056	0.59%	291	17,730	877,013,556
2017	8,763,957	181,868	8,582,089	0.89%	479	17,925	960,618,883
2018	8,256,706	178,504	8,078,202	0.81%	449	17,985	999,416,648
2019	7,734,455	171,455	7,563,000	0.72%	416	18,200	1,055,903,439
2020	5,857,644	161,978	5,695,666	0.54%	309	18,415	1,058,345,637
2021	15,041,257	115,441	14,925,816	1.34%	795	18,775	1,113,129,718
2022	14,458,736	101,176	14,357,560	1.23%	729	19,696	1,164,505,530
2023	13,868,523	81,765	13,786,758	1.10%	678	20,322	1,258,237,524

Sources:

\* In 2015 the City transferred \$2,859,036 general obligations bonds from business-type activities to governmental activities

(1) United States Census

(2) County Assessment and Taxation

**CITY OF HERMISTON, OREGON**  
**REVENUE BACKED DEBT**  
**Last Ten Fiscal Years**

Fiscal Year	Utility			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2014	\$ 4,377,550	\$ 3,252,025	\$ 1,125,525	\$ 266,791	\$ 46,708	3.59
2015	4,933,829	2,678,958	2,254,871	277,744	229,477	4.45
2016	5,203,067	4,430,491	772,576	293,314	224,766	1.49
2017	5,292,480	5,222,163	70,317	303,413	212,806	0.14
2018	5,808,672	3,878,286	1,930,386	235,000	288,607	3.69
2019	7,349,897	4,411,029	2,938,868	250,000	288,163	5.46
2020	9,047,112	4,718,113	4,328,999	260,000	277,582	8.05
2021	9,902,274	4,338,863	5,563,411	270,000	269,078	10.32
2022	10,032,511	4,982,277	5,050,234	275,000	260,412	9.43
2023	11,481,773	5,306,745	6,175,028	290,000	248,097	11.48

Fiscal Year	Electric			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2014	\$ 7,595,399	\$ 6,439,942	\$ 1,155,457	\$ 250,000	\$ 550,188	1.44
2015	7,511,506	6,330,622	1,180,884	275,000	530,739	1.47
2016	8,243,675	6,618,728	1,624,947	305,000	518,948	1.97
2017	8,582,818	6,945,533	1,637,285	-	291,013	5.63
2018	8,854,864	7,118,702	1,736,162	-	-	-
2019	9,105,483	7,208,292	1,897,191	-	-	-
2020	8,581,271	7,350,097	1,231,174	-	-	-
2021	9,711,135	7,407,388	2,303,747	-	-	-
2022	10,432,454	7,486,612	2,945,842	-	-	-
2023	11,313,445	7,497,980	3,815,465	-	-	-

The Utility fund had unusual expenses of about \$1.4 million to clean out the sewer lagoon in 2017.

Electric revenue bonds were refunded with full faith and credit obligations in 2017.

**CITY OF HERMISTON, OREGON**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**

True Cash Value (1)	\$ 1,936,972,678
	<u>                    x 3%</u>
General Obligation Debt Limit (2)	<u>58,109,180</u>
Gross bonded debt subject to limitation	<u>430,000</u>
Legal debt margin available for future indebtedness	<u><u>\$ 57,679,180</u></u>
Total net debt applicable to the limit as a percentage of debt limit	0.75%

Fiscal Year	True Cash Value	Debt Limit	Total debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of the debt limit
2014	935,091,901	28,052,757	2,750,000	25,302,757	10.87%
2015	986,977,008	29,609,310	2,520,000	27,089,310	9.30%
2016	1,033,085,828	30,992,575	2,285,000	28,707,575	7.96%
2017	1,070,438,667	32,113,160	2,045,000	30,068,160	6.80%
2018	1,187,064,794	35,611,944	1,795,000	33,816,944	5.31%
2019	1,225,505,098	36,765,153	1,540,000	35,225,153	4.37%
2020	1,369,007,522	41,070,226	1,280,000	39,790,226	3.22%
2021	1,450,321,949	43,509,658	1,010,000	42,499,658	2.38%
2022	1,622,258,494	48,667,755	725,000	47,942,755	1.51%
2023	1,936,972,678	58,109,180	430,000	57,679,180	0.75%

**Sources:**

(1) From Umatilla County Assessment and Taxation

(2) ORS 287A.050 provides a debt limit of 3% of the true cash value of all taxable property within the City boundaries.

**CITY OF HERMISTON, OREGON**  
**DIRECT AND OVERLAPPING DEBT**  
**AND DEBT RATIOS**  
**June 30, 2023**

<u>Government</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Applicable to City</u>
<u>Direct Debt</u>			
City of Hermiston	\$ 19,169,550	100.00%	\$ 19,169,550
<u>Overlapping Debt</u>			
Umatilla County	6,762,683	16.03%	1,084,058
Umatilla County School District #8 (Hermiston)	215,428,070	47.77%	102,909,989
Umatilla County School District #61 (Stanfield)	13,997,926	8.70%	1,217,820
Umatilla Morrow Radio and Data District	2,373,881	10.59%	251,394
Blue Mountain Community College	18,734,187	8.79%	1,646,735
Intermountain ESD	17,750,780	7.43%	1,318,883
Umatilla Rural Fire Protection District #7-405	1,260,000	32.72%	412,272
Total Overlapping Debt	<u>276,307,527</u>		<u>108,841,151</u>
Total Direct and Overlapping Debt	<u>\$ 295,477,077</u>		<u>\$ 128,010,701</u>

The following tables present information regarding the City's tax-supported debt and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners.

2021-2022 data;	
RMV	\$ 1,936,972,678
Assessed Value	\$ 1,258,237,524
Estimated City Population	20,322

Bonded Debt Ratios

Direct Debt to RMV	0.99%
Direct and Overlapping Debt to RMV	6.61%
Per Capita RMV	\$ 95,314
Per Capita Direct Debt	\$ 943
Per Capita Direct and Overlapping Debt	\$ 6,299

Source: Umatilla County Assessors Office

**DEMOGRAPHIC AND ECONOMIC INFORMATION**



**CITY OF HERMISTON, OREGON**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

Fiscal Year	Population (1)	Per Capita Income (2)	Total Personal Income	Unemployment Rate Umatilla County (3)
2014	17,240	33,773	582,246,520	7.9%
2015	17,520	35,598	623,676,960	6.3%
2016	17,730	36,894	654,130,620	5.9%
2017	17,925	37,734	676,381,950	5.6%
2018	17,985	39,684	713,716,740	4.6%
2019	18,200	41,928	763,089,600	4.3%
2020	18,415	44,604	821,382,660	8.6%
2021	18,775	48,439	909,442,225	5.6%
2022	19,696	49,149	968,038,704	3.8%
2023	20,322	*	*	4.1%

**Notes:**

\* - Figure was not available

**Sources:**

- (1) Population for City of Hermiston, source: Portland State University Center of Population and Research
- (2) Data for Umatilla County, source: Bureau of Economic Analysis
- (3) Oregon State Employment Division

**CITY OF HERMISTON, OREGON**  
**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Amazon Web Services	2,058	1	16.83%	N/A		N/A
Wal-Mart Distribution Center	1,050	2	8.59%	859	2	7.20%
Good Shepherd Healthcare	767	3	6.27%	572	4	4.80%
First Coast Security	750	4	6.13%	N/A		N/A
Hermiston School District	631	5	5.16%	519	5	4.40%
Lamb Weston - Hermiston	625	6	5.11%	1,320	1	11.10%
Two Rivers Correctional Institute	440	7	3.60%	N/A		N/A
Wal-Mart Supercenter	356	8	2.91%	400	6	3.40%
Union Pacific Railroad	300	9	2.45%	300	8	2.50%
Marlette Homes	250	10	2.04%	N/A		N/A
River Point Farms	N/A		N/A	650	3	5.40%
Shearer's Foods	N/A		N/A	200	9	1.70%
Medelez Trucking	N/A		N/A	200	9	1.70%
Hermiston Foods	N/A		N/A	325	7	2.70%
	<u>7,227</u>		<u>59.11%</u>	<u>5,345</u>		<u>44.90%</u>

Note: Includes employers in the Greater Hermiston Area.

**Source:**

Oregon Employment Department

**CITY OF HERMISTON, OREGON**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT**  
**EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

**Full-time Equivalent Employees as of December 31,**

<b>Function</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
General Government	9.52	9.52	10.72	10.77	11.44	11.94	20.94	28.83	35.83	35.83
Public Safety	30.50	30.50	30.50	30.50	30.50	31.00	31.00	32.00	34.00	35.00
Highways and streets	6.47	6.47	5.33	5.33	6.69	7.19	7.19	6.64	5.50	6.64
Culture and recreation	23.00	23.00	23.50	23.50	25.50	27.00	36.00	36.00	36.00	41.36
Water	10.63	10.63	10.63	10.63	11.18	11.18	11.18	6.75	9.00	9.00
Sewer	11.30	11.30	11.30	11.30	10.85	11.35	11.35	9.50	10.50	10.50
Electric	2.31	2.31	2.31	2.31	2.32	2.31	2.31	1.00	1.00	1.00
<b>Total</b>	<b>93.73</b>	<b>93.73</b>	<b>94.29</b>	<b>94.34</b>	<b>98.48</b>	<b>101.97</b>	<b>119.97</b>	<b>120.72</b>	<b>131.83</b>	<b>139.33</b>

**Source:** City Administration Department

**OPERATING INFORMATION**

**CITY OF HERMISTON, OREGON**  
**OPERATING INDICATORS**  
**BY FUNCTION**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year											
	2014	#	2015	2016	#	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities</b>												
General Government												
Number of Taxi Tickets Sold												
Senior Citizen Taxi Program	30,306		27,095	21,336		16,066	19,133	21,299	16,664	12,651	13,208	14,381
WorkForce Taxi Rides	-		-	-		-	-	-	-	8,740	7,344	9,799
Public Safety												
Total Police Incidents	23,878		23,237	23,193		20,587	23,916	21,149	22,334	21,425	20,587	22,031
Officer initiated	9,160		13,205	13,097		10,457	12,570	9,693	11,509	10,591	10,457	8,896
Calls for police services	14,718		10,032	10,096		10,130	11,346	11,456	10,825	10,834	10,130	13,165
Number of traffic stops	4,227		6,596	6,699		4,595	5,384	4,337	5,913	4,236	4,595	4,131
Highways and streets												
Estimated miles of streets swept	3,301		3,541	3,486		3,506	3,506	3,506	3,520	3,536	3,550	3,569
Cultural and recreation												
Number of library items checked out	82,195		80,327	67,243		68,738	92,134	74,959	51,179	39,726	50,583	57,835
Number of Library patrons	12,700		9,279	10,447		10,991	11,911	9,640	8,671	8,950	9,399	6,239
<b>Business-type activities</b>												
Water												
Number of accounts	4,823		4,912	4,921		5,000	5,125	5,215	5,301	5,572	5,602	5,762
Annual consumption (in billions of gallons)	2,679		2,638	3,261		1,784	1,448	1,339	1,173	1,388	1,234	1,234
Sewer												
Number of accounts	4,585		4,665	4,736		4,801	4,885	4,989	5,073	5,229	5,344	6,044
Electricity												
Number of accounts	5,171		5,189	5,277		5,317	5,335	5,366	5,439	5,443	5,460	5,445
KWH sold	110,521,490		106,427,693	105,355,391		108,323,018	107,442,249	107,121,938	102,616,467	104,178,602	105,696,806	111,452,257

Source: City Departments

**CITY OF HERMISTON, OREGON**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities</b>										
General government										
Administrative buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Car	11	10	10	11	11	10	20	20	20	20
Motorcycles	1	1	1	1	1	-	-	-	-	-
Highways and streets										
Streets (miles)	64	73	73	73	74	75	76	77	78	79
Culture and recreation										
Library Collections:										
Printed materials	33,361	33,457	35,229	35,476	30,930	31,548	31,430	34,722	34,623	31,899
Audio materials	1,610	1,670	1,765	1,803	1,598	1,383	1,433	1,533	1,273	1,140
Video materials	1,782	1,733	2,082	1,955	1,929	1,819	1,867	1,742	1,637	1,520
Electronic materials	3,452	3,452	32,984	68,879	72,483	76,240	93,382	72,697	56,416	60,044
<b>Business-type activities</b>										
Water										
Miles of city water line	76	77	77	77	77	77	78	79	79	79
Miles of regional water system water line										
City wells	5	5	5	5	5	5	5	5	5	5
Sewer										
Storm water pump station:	3	3	3	3	3	3	3	3	3	3
Sewage pump stations	8	9	9	9	9	9	9	9	9	9
Clarifiers/sludge storage										
Gravity thickeners	4	4	5	5	5	5	5	5	5	5
Electric										
Miles of overhead line	37	37	158	158	158	159	159	159	159	159
Miles of underground line										
Transformers	28	28	28	29	29	29	29	29	29	29
	1,415	1,435	1,834	1,472	1,893	1,907	1,914	1,937	1,987	2,026

Source: City Administration, Court, Police, and Development and Operations Departments

**CITY OF HERMISTON, OREGON**  
**GENERAL FUND ACTUAL OR BUDGETED**  
**(Fiscal Years Ending June 30)**

	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Budgeted 2024
<b><u>Revenues:</u></b>					
Taxes	\$ 5,969,584	\$ 6,267,617	\$ 6,658,211	\$ 7,109,407	\$ 7,425,990
Licenses & Franchises	800,660	968,681	769,918	1,515,953	1,468,300
Fines & Penalties	333,706	210,762	392,013	278,062	400,000
Investment earnings (losses)	90,170	13,970	(50,798)	140,184	70,000
From Other Agencies	720,399	1,656,843	2,802,015	3,157,775	1,122,501
Service Charges	1,801,510	2,906,890	3,156,845	3,021,820	2,181,400
Non-Revenue Receipts	174,672	38,585	-	-	50,000
Miscellaneous Revenues	108,598	98,791	197,288	241,977	65,000
Interfund Transfers	1,352,100	1,207,291	2,527,128	2,075,320	2,498,035
Interfund Loan Proceeds	9,911	8,123	-	-	673,000
Cash Forward	3,031,180	2,359,717	946,056	2,228,426	951,684
<b>Total Revenues</b>	<b>14,392,490</b>	<b>15,737,270</b>	<b>17,398,676</b>	<b>19,768,924</b>	<b>16,905,910</b>
<b><u>Expenditures:</u></b>					
City Council	59,247	33,805	40,769	57,135	-
Manager/Planning/Legal	705,462	1,217,112	1,361,377	1,404,373	1,523,710
Finance	136,940	568,927	617,637	647,940	697,192
Court	427,244	522,978	541,135	635,743	733,137
Transportation	267,125	352,806	302,029	411,586	472,000
Airport	272,858	259,225	258,686	364,078	320,300
Building Inspections	423,807	460,914	461,059	531,489	571,405
Parks	664,768	681,340	754,185	768,742	716,975
Parks/Utility Landscaping	44,353	45,550	44,217	56,007	44,115
Municipal Pool	417,246	299,743	563,723	579,951	553,287
Municipal Buildings	122,154	132,931	138,962	147,125	150,790
Library	806,926	870,358	864,376	907,468	894,012
Recreation	611,302	533,516	808,562	877,227	609,596
Community Center	142,653	164,123	196,453	197,381	200,972
Harkenrider Center	52,133	41,187	58,726	59,688	60,010
Public Safety Center	60,228	63,472	60,592	58,330	43,000
Police Operations	5,300,096	5,350,589	5,574,333	6,012,541	6,640,489
Non-departmental	1,548,698	3,192,638	2,523,429	3,116,143	2,674,920
Unappropriated Balance	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 12,063,240</b>	<b>\$ 14,791,214</b>	<b>\$ 15,170,250</b>	<b>\$ 16,832,947</b>	<b>\$ 16,905,910</b>

**CITY OF HERMISTON, OREGON**  
**Water & Sewer Operating Information**

**WATER**

**AVERAGE NUMBER OF CUSTOMERS**

**TOTAL ANNUAL  
CONSUMPTION  
(1,000 Gallons)**

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>	<u>Year</u>	<u>Total</u>
2023	5,324	438	5,762	2023	1,387
2022	5,179	423	5,602	2022	1,234
2021	5,059	415	5,474	2021	1,388
2020	4,888	413	5,301	2020	1,173
2019	4,801	414	5,215	2019	1,339
2018	4,732	393	5,125	2018	1,448
2017	4,613	387	5,000	2017	1,784
2016	4,531	390	4,921	2016	3,261
2015	4,523	389	4,912	2015	2,638
2014	4,439	384	4,823	2014	2,679

**SEWER**

**AVERAGE NUMBER OF CUSTOMERS**

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2023	5,633	411	6,044
2022	4,944	400	5,344
2021	4,834	395	5,229
2020	4,677	396	5,073
2019	4,603	386	4,989
2018	4,492	393	4,885
2017	4,414	387	4,801
2016	4,346	390	4,736
2015	4,276	389	4,665
2014	4,201	384	4,585



**CITY OF HERMISTON, OREGON**  
**Water Rates and Charges**

<b>Consumption</b>	<b>01/01/15</b>	<b>07/01/15</b>	<b>07/01/16</b>	<b>07/01/17</b>	<b>10/01/17</b>	<b>03/01/18</b>	<b>03/01/19</b>	<b>03/01/20</b>	<b>03/01/21</b>	<b>03/01/22</b>	<b>03/01/23</b>
First 3,000 gallons (minimum charge)	16.48	17.14	17.14	18.00	18.90	19.82	0.00	0.00	0.00	0.00	0.00
Each 1,000 gal over 3,000 up to and including 13,000 gal	1.25	1.30	1.30	1.37	1.43	1.50	0.00	0.00	0.00	0.00	0.00
Each 1,000 gallons over 13,000 gallons	1.03	1.08	1.08	1.13	1.19	1.25	0.00	0.00	0.00	0.00	0.00
Residential & Commercial - base rate per meter	0.00	0.00	0.00	0.00	0.00	0.00	30.00	30.54	31.52	32.37	33.99
Each 1,000 gallons up to 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.51	0.52	0.54	0.57
Each 1,000 gallons over 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	3.50	3.56	3.63	3.76	3.95

Special water use from a fire hydrant, upon approval of the water superintendent, shall be charged at two times the water rate in effect, based on the water rates shown above.

**CITY OF HERMISTON, OREGON**  
**Sewer Rates and Charges**

<b>Consumption</b>	<b>Sewer Rates Effective as of</b>										
	<b>07/01/14</b>	<b>01/01/15</b>	<b>07/01/15</b>	<b>07/01/16</b>	<b>07/01/17</b>	<b>10/01/17</b>	<b>03/01/18</b>	<b>03/01/19</b>	<b>03/01/20</b>	<b>03/01/21</b>	<b>03/01/22</b>
Dwelling units - monthly flat rate	21.78	22.65	23.56	23.56	24.74	25.97	27.25	0.00	0.00	0.00	0.00
Motel units - per-month unit charge	13.83	14.39	14.96	14.96	15.71	16.49	17.30	0.00	0.00	0.00	0.00
Commercial - base rate for first 5,000 gallons	23.72	24.67	25.65	25.65	26.93	28.28	29.66	0.00	0.00	0.00	0.00
Plus: per 1,000 gallons of water thereafter	1.20	1.25	1.30	1.30	1.37	1.43	1.50	0.00	0.00	0.00	0.00
Residential & Commercial - base rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.00	35.63	36.39	37.75
Plus: per 1,000 gallons of water thereafter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	3.05	3.12	3.24

**CITY OF HERMISTON, OREGON**  
**Pension Cost Trends Oregon State and Local Government Rate Pool**  
**(in thousands)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Actuarial Accrued Liability/ (Surplus)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/22	33,992,600	48,119,500	14,126,900	71%	8,046,300	176%
12/31/21	36,315,800	47,155,100	10,839,300	77%	7,439,500	146%
12/31/20	31,884,900	46,382,200	14,497,300	69%	7,134,300	203%
12/31/19	31,384,100	44,122,100	12,738,000	71%	6,768,800	188%
12/31/18	29,383,700	43,149,300	13,765,600	68%	6,346,100	217%
12/31/17	30,899,700	42,150,700	11,251,000	73%	5,897,800	191%
12/31/16	28,032,600	40,351,300	12,318,700	69%	5,714,000	216%
12/31/15	27,682,700	38,396,800	10,714,100	72%	5,594,300	192%
12/31/14	28,465,300	37,169,900	8,704,600	77%	5,390,800	161%
12/31/13	27,855,300	31,738,800	3,883,500	88%	5,121,900	76%

Source: Milliman Actuarial Valuation Report

**REPORTS OF INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# Barnett & Moro, P.C.

Certified Public Accountants

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DAVID J. BARNETT, C.P.A.

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## **INDEPENDENT AUDITORS' REPORT** **REQUIRED BY OREGON STATE REGULATIONS**

Mayor and City Council  
City of Hermiston, Oregon

We have audited the basic financial statements of the City of Hermiston, Oregon as of and for the year ended June 30, 2023, and have issued our report thereon dated February 20, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether City of Hermiston, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe City of Hermiston, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

- Expenditures in excess of appropriations listed in the Notes to the Required Supplementary Information.

**OAR 162-10-0230 Internal Control**


In planning and performing our audit, we considered City of Hermiston, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hermiston, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Hermiston, Oregon's internal control over financial reporting.

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

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

This report is intended solely for the information and use of management, the City Council, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

Barnett & Moro, P.C.

By:   
Dennis L. Barnett, Shareholder  
Hermiston, Oregon  
February 20, 2024

**SINGLE AUDIT SECTION**

**CITY OF HERMISTON, OREGON**

**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

<u>Federal Grantor/Program Name</u>	<u>Passed Through</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<b><u>U.S. DEPARTMENT OF THE TREASURY</u></b>					
Coronavirus State and Local Fiscal Recovery Funds	Oregon Dept of Administrative Services	21.027	X	Not available	\$ 903,933
Coronavirus State and Local Fiscal Recovery Funds	Umatilla County Cultural Coalition	21.027	X	Not available	<u>153,024</u>
Total Coronavirus Relief Fund					<u>1,056,957</u>
Total U.S. Department of the Treasury					<u>1,056,957</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>					
Airport Improvement Program	Not Applicable	20.106		3-41-0024-018-2023	24,779
Airport Improvement Program	Not Applicable	20.106		3-41-0024-014-2021	177,798
Airport Improvement Program	Not Applicable	20.106		3-41-0024-017-2022	<u>172,045</u>
Total Airport Improvement Program					<u>374,622</u>
<b><u>Highway Safety Cluster</u></b>					
State and Community Highway Safety	Oregon Impact	20.600		Not available	4,080
State and Community Highway Safety	Oregon Dept of Transportation	20.600		Not available	<u>595</u>
Total State and Community Highway Safety					<u>4,675</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Oregon Impact	20.608		Not available	<u>1,602</u>
Total U.S. Department of Transportation					<u>380,899</u>

Continued on next page



**CITY OF HERMISTON, OREGON**

**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Continued from previous page

<u>Federal Grantor/Program Name</u>	<u>Passed Through</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>					
<u>Child Nutrition Cluster</u>					
Summer Food Service Program for Children	Oregon Dept of Education	10.559		Not available	<u>18,321</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>					
Disaster Grants - Public Assistance	Oregon Military Dept	97.036	X	DR-4452	<u>302,019</u>
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>					
Bulletproof Vest Partnership Program	Not Applicable	16.607		Not available	<u>399</u>
Total Federal Expenditures					<u><u>\$ 1,758,595</u></u>

**CITY OF HERMISTON, OREGON**

**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Hermiston, Oregon and is presented on the modified accrual basis of accounting as described in note 1 to the basic financial statements. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. City of Hermiston, Oregon uses the 10% de minimis cost rate as explained in the Uniform Guidance.

# Barnett & Moro, P.C.

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PAUL A. BARNETT, C.P.A.

**INDEPENDENT AUDITORS' 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**

Mayor and City Council  
City of Hermiston, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Hermiston, Oregon's basic financial statements and have issued our report thereon dated February 20, 2024.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Hermiston, Oregon'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 City of Hermiston, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hermiston's internal control.

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

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

Mayor and City Council  
City of Hermiston  
Page two


### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

Barnett & Moro, P.C.

By:   
Dennis L. Barnett, Shareholder  
Hermiston, Oregon  
February 20, 2024

# Barnett & Moro, P.C.

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Mayor and City Council  
City of Hermiston, Oregon

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited City of Hermiston, Oregon's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hermiston, Oregon's major federal programs for the year ended June 30, 2023. City of Hermiston, Oregon's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hermiston, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

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 the 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 City of Hermiston, Oregon and to meet our 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Hermiston, Oregon's compliance requirements referred to above.

#### **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 City of Hermiston, Oregon's federal programs.

### **Auditors' Responsibility for the Audit 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 City of Hermiston, Oregon'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting 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 judgment made by a reasonable user of the report on compliance about City of Hermiston, Oregon's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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 City of Hermiston, Oregon'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 City of Hermiston, Oregon'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 City of Hermiston, Oregon's internal control over compliance. Accordingly, no such opinion is expressed.

### **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.

Mayor and City Council  
City of Hermiston, Oregon  
Page three

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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.

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.

Barnett & Moro, P.C.



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Dennis L. Barnett, Shareholder  
February 20, 2024

**CITY OF HERMISTON, OREGON**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2023**

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**Section I-Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   no

Type of auditor's report issued on compliance for major program: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of Title 2 CFR Part 200? \_\_\_\_\_ yes      X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$   750,000  

Auditee qualified as low-risk auditee?   X   yes    \_\_\_\_\_ no

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**Section II-Financial Statement Findings**

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There are no financial statement award findings for the year ended June 30, 2023.

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**Section III-Federal Award Findings and Questioned Costs**

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There are no federal award findings or questioned costs for the year ended June 30, 2023.



**CITY OF HERMISTON, OREGON**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**

**Year Ended June 30, 2023**

**QUESTIONED COSTS:**

There were no questioned costs for the year ended June 30, 2022.

**FINDINGS:**

There were no findings relative to federal awards for the year ended June 30, 2022.