



# **CITY OF HERMISTON, OREGON**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ending June 30, 2020



*Where Life is Sweet*

Prepared by:  
The City of Hermiston  
Finance Department



*Where Life is Sweet*

**CITY OF HERMISTON, OREGON**

**Financial Statements and  
Independent Auditors' Report**

**June 30, 2020**

**CITY OF HERMISTON, OREGON**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2020**

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## **INTRODUCTORY SECTION**



**Administrative  
Offices**

October 30, 2020

To the Citizens of the City of Hermiston

The comprehensive annual financial report of the City of Hermiston, Oregon, for the fiscal year ended June 30, 2020, 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 is a progressive, growth oriented urban center for an area based economically on transportation/logistics, agriculture, food processing and other light industry. 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. The city covers approximately 4,500 acres.



Hermiston is the merging point for two interstate highways, I-82 (north-south) and 1-84 (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 modern public safety center, housing police, municipal court 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 95 full-time city employees and 12 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 39,000 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 2019 population estimate for the city is 18,415.

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, and Lifeways operates a 16-bed acute psychiatric facility completed in 2020. In addition to providing specialty services unique in Eastern Oregon, the 24-hour nature of these residential care facilities will create at least 40 new full time jobs.

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 pursued an aggressive effort to build economic diversity with the location of area food processors, a 1.2 million square foot Wal-Mart Distribution Center, and a \$3.5 million food distribution center of the Church of Jesus Christ of Latter-day Saints. DuPont Pioneer has been aggressively investing in Hermiston since 2009. Pioneer initially built a \$35 million processing facility in 2009, which was immediately followed by the development of their North American Research and Development Center in Hermiston in 2010. DuPont Pioneer announced another combined \$35 million worth of investments in 2013 which will double the capacity of the facilities as the phases are built-out over several years. The raw commodities required by DuPont Pioneer 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.

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, completed a \$1 million expansion to its conveyor belt system in 2013. FedEx is another national logistics company taking advantage of the region. FedEx Freight opened a full-service distribution center near Hermiston in 2011 to take advantage of the area's freeway access. UPS runs air-cargo out of the Hermiston Municipal Airport, which completed a \$3 million taxiway re-alignment project in 2016.

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 18,415 in 2019.

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 2015 State Legislature to increase the amount of irrigation water in the region as well as improve the long-term viability of regional water resources. This investment is expected to 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, new and larger grounds were completed in 2017 to house the award winning Farm-City Pro Rodeo and the Umatilla County Fair along with other regional and local events. That new complex is called the Eastern Oregon Trade and Event Center (EOTEC). The first phase opened in 2016. Additional facilities including a commons area and rodeo grounds were completed in 2017 in time to host the 2017 annual fair and rodeo. EOTEC now hosts a wide variety of events throughout the year. This center has helped bring about the announcement of another hotel to be constructed in the City of Hermiston. A four-story hotel to be financed with \$9.5 million of USDA guaranteed loans was announced in May 2019.

The Hermiston School District has five elementary schools, two middle schools, one senior high school, and one alternative school. With nearly 5,800 students, it is the largest school district in Eastern Oregon, and with 570 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 School District completed a \$5 million replacement of the high school football stadium in 2013. The facility has generated a positive economic impact to Hermiston because it is the only facility in eastern Oregon which meets the requirements to host state-level football, soccer, lacrosse, and track & field tournaments.

Although 250 miles from the ocean, Hermiston is only 450 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, miniature golf and all kinds of ball 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, and fraternal organizations such as the Elks. Hermiston also has a modern public library.

Hermiston is served by the 911 emergency system, a well-trained police force, county deputy sheriffs and the Oregon State Police. The City has its own municipal court and a circuit court. 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.

Lamb Weston operates multiple potato processing plants in the region. Lamb Weston completed a \$230 million expansion at its Boardman facilities since 2015, and has opened its \$250 million expansion in its Hermiston facilities in 2019. DuPont Pioneer, a developer and supplier of seeds, originally opened a facility in Hermiston in 2009, and has since invested nearly \$60 million to develop its plant. A \$1.5 million feed mill operates just south of the City; there are also several large dairy facilities in the area.

Major employers outside the food processing industry include JM-Eagle, Marlette Homes, Wal-Mart Distribution Center, 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. Wal-Mart operates a 1.2 million square foot distribution center which employs approximately 860 workers and transfers merchandise to about 400 trucks daily. UPS Freight and FedEx Ground also both operate full-service freight terminals near the I-84/82 interchange. The FedEx facility was completed in early 2011, and serves 120 trucks per day. 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.

### **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 totaling over \$3.6 million for taxiway realignment and other improvements at the Hermiston Municipal Airport. Currently the City is updating the Airport Master Plan in order to continue to qualify for more of these grant opportunities.
2. NE Water Tank – The City constructed a \$4.1 million water storage tank at East Punkin Center and Northeast 10th Street. The project will provide water for 300 acres of residential development and for the School District's new elementary school.
3. East Theater Lane Construction – In coordination with the NE Water Tank project, the City performed \$475,000 of improvements to East Theatre Lane, replacing gravel with asphalt between N.E. 8th and N.E. 10th streets and adding sewer, water, and other infrastructure.
4. Geer and Harper Intersection Realignment – The City has spent \$190,000 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. West Hermiston Avenue Overlay – The City completed significant street and sidewalk improvements in 2019. The \$610,000 project resurfaced West Hermiston Avenue from N. 1st Place to N.W. 11th Street, replaced sidewalks, water and sewer infrastructure, and protected the roadway subgrade from further damage from water infiltration and increased traffic.
6. Lift Station Improvements – The City is currently spending \$200,000 to improve one of its wastewater lift station generator and ventilation systems. The City expects to spend \$1.7 million to \$2.4 million per year in water and sewer system improvements each year through 2024.
7. Funland Play Structure Replacement – The City has received significant pledges and donations to supplement replacement of the Funland Play Structure. The City expects to use insurance proceeds and donations to meet the expected \$1.5 million cost.
8. City Hall Replacement - City Hall was damaged in a December 2019 fire. The City sold \$23.7 million of full faith and credit bonds in September 2020. The bonds will provide \$9.6 million of funding to replace City Hall. Additional funds will be used to refund \$17.2 million of Oregon Department of Environmental Quality (DEQ) debt used to construct the City's recycled water plant. The City expects to save \$1.4 million of interest expense over the remaining life of the DEQ debt.

The City continues - and anticipates 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.

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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the twenty-ninth 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 comprehensive annual 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 Comprehensive Annual 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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hermiston  
Oregon**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

**CITY OF HERMISTON, OREGON**

**List of Principal Officials**

**June 30, 2020**

**ELECTED OFFICIALS**

	<u>Term Expires</u>
Mayor:	
Dr. David Drotzmann	December 31, 2020
Council Members:	
Lori Davis	December 31, 2022
Roy Barron	December 31, 2022
Jackie C. Myers	December 31, 2022
Manuel Gutierrez	December 31, 2020
Rod S. Hardin	December 31, 2020
David McCarthy	December 31, 2020
Doug Primmer	December 31, 2020
Municipal Judge:	
Thomas J. Creasing	December 31, 2020

**APPOINTED OFFICIALS**

City Manager	Byron Smith
Assistant City Manager	Mark Morgan
Finance Director	Mark Krawczyk
City Recorder	Lily Alarcon-Strong
Chief of Police	Jason Edmiston
Water Superintendent	Roy Bicknell
Wastewater Superintendent	Bill Schmittle
Library Director	Mark Rose
City Attorney	Gary Luisi
Street Superintendent	Ron Sivey
HES Superintendent	Nate Rivera
Building Official	Chuck Woolsey
Parks & Recreation Director	Larry Fetter
City Planner	Clint Spencer

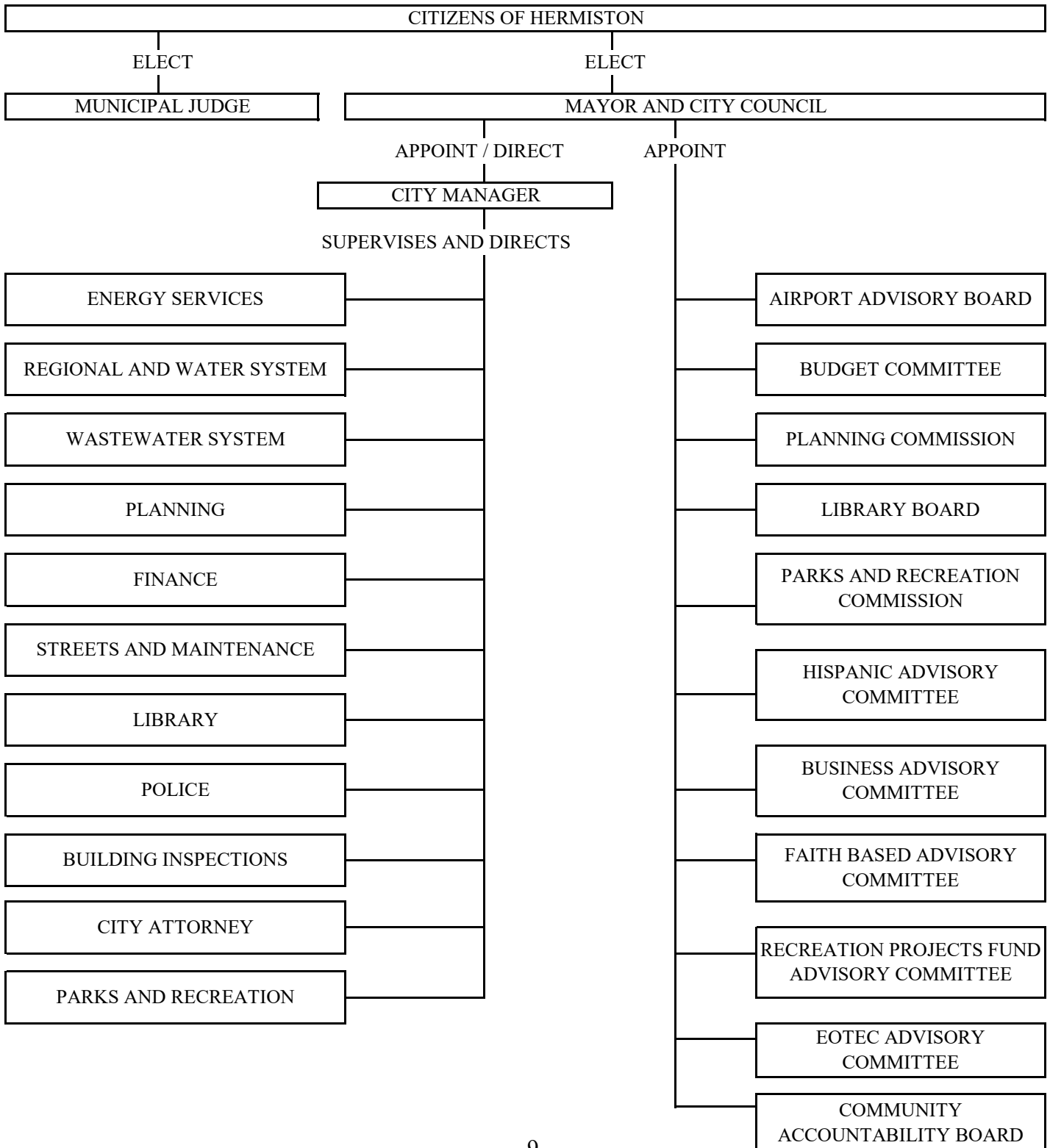
**OFFICIAL ADDRESS**

215 E Gladys Avenue  
Hermiston, OR 97838  
Telephone: 541-567-5521  
Fax: 541-567-5530

**CITY OF HERMISTON, OREGON**

**Organizational Chart**

**June 30, 2020**





**FINANCIAL SECTION**

**BARNETT & MORO, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

495 E. Main  
Hermiston, OR 97838  
(541) 567-5215  
(541) 567-0497 Fax

DENNIS L. BARNETT, C.P.A.  
KRISTIE L. SHASTEEN, C.P.A.  
CAMERON W. ANDERSON, C.P.A.  
RICHARD L. STODDARD, C.P.A.  
BETSY J. BENNETT, C.P.A.  
PAUL A. BARNETT, C.P.A.  
REBECCA K. RAMOS BAUTISTA, C.P.A.  
MITCHELL L. BOYLAN, C.P.A.  
-----  
GERALD J. MORO, C.P.A. EMERITUS

**INDEPENDENT AUDITORS' REPORT**

Mayor and City Council  
City of Hermiston, Oregon

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

The budgetary comparison information for the General Fund and State Tax Street 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.

*Other 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 introductory section, supplemental information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information section is the responsibility of management and were derived from and relate 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.


The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Reports on Other Legal and Regulatory Requirements**

*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 October 30, 2020, 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:   
\_\_\_\_\_  
Richard L. Stoddard, Shareholder  
October 30, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

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, 2020. 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 \$132.7 million at June 30, 2020 consisting of approximately \$16.0 million in cash and investments, \$107.8 million in capital assets and \$8.9 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$1.9 million from the previous fiscal year due to infrastructure additions and improvements.
- The City's liabilities and deferred inflows of resources totaled \$68.0 million at June 30, 2020, consisting of \$61.0 million in non-current liabilities, \$6.1 million in current liabilities, and \$0.9 million in deferred inflows of resources. Total liabilities and deferred inflows of resources increased by \$1.5 million from the previous fiscal year due to increased in the City's 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 2020 by \$64.8 million (net position). Of this amount \$3.2 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 \$58.9 million net investment in capital assets, and \$2.8 million restricted for specific purposes. The City used restricted funds to acquire and improve infrastructure assets.
- For its governmental activities the City generated \$2.7 million in Charges for Services and \$3.3 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$17.7 million for the year resulting in a net expense of \$11.7 million. After an additional \$9.2 million in general revenues, \$160,000 in extraordinary items, and \$908,000 in transfers out, governmental activities resulted in a \$3.2 million decrease in net position.
- For its business-type activities the City generated \$18.7 million in Charges for Services and \$143,000 in Capital Grants and Contributions to fund direct expenses of \$18.7 million resulting in a net revenue of \$2.6 million. After other general revenues and transfers in of \$908,000, net position from business-type activities increased by \$3.6 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, 2020**

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 Tax Street 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, 2020**

- 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>Businss-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Assets:</b>						
Cash and investments	\$ 10,230	\$ 10,834	\$ 5,805	\$ 5,321	\$ 16,035	\$ 16,155
Other assets	2,460	2,730	1,728	2,321	4,188	5,051
Capital assets	38,549	37,608	69,221	67,344	107,770	104,952
Total assets	<u>51,239</u>	<u>51,172</u>	<u>76,754</u>	<u>74,986</u>	<u>127,993</u>	<u>126,158</u>
Deferred outflows:	<u>3,414</u>	<u>3,329</u>	<u>1,377</u>	<u>1,391</u>	<u>4,791</u>	<u>4,720</u>
<b>Liabilities:</b>						
Current liabilities	2,718	2,806	3,336	3,582	6,054	6,388
Noncurrent liabilities	20,504	16,788	40,505	42,011	61,009	58,799
Total liabilities	<u>23,222</u>	<u>19,594</u>	<u>43,841</u>	<u>45,593</u>	<u>67,063</u>	<u>65,187</u>
Deferred inflows:	<u>669</u>	<u>923</u>	<u>234</u>	<u>335</u>	<u>903</u>	<u>1,258</u>
<b>Net Position:</b>						
Net investment in capital assets	28,422	29,794	30,340	27,810	58,762	57,604
Restricted	2,841	5,160	-	-	2,841	5,160
Unrestricted	<u>(501)</u>	<u>(970)</u>	<u>3,716</u>	<u>2,639</u>	<u>3,215</u>	<u>1,669</u>
Total Net Position	<u>\$ 30,762</u>	<u>\$ 33,984</u>	<u>\$ 34,056</u>	<u>\$ 30,449</u>	<u>\$ 64,818</u>	<u>\$ 64,433</u>

88.6% 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, \$1.3 million in bonds 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, 2020**

**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	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for service	\$ 2,661	\$ 2,815	\$ 18,698	\$ 17,387	\$ 21,359	\$ 20,202
Operating grants and contributions	2,409	1,976	-	-	2,409	1,976
Capital grants and contributions	896	1,387	143	864	1,039	2,251
General Revenues						
Taxes	8,622	7,914	-	-	8,622	7,914
Interest	237	272	94	163	331	435
Other	371	391	-	-	371	391
Total Revenues	<u>15,196</u>	<u>14,755</u>	<u>18,935</u>	<u>18,414</u>	<u>34,131</u>	<u>33,169</u>
Expenses						
General government	3,932	3,418	-	-	3,932	3,418
Public safety	6,425	5,661	-	-	6,425	5,661
Highways and streets	2,118	2,281	-	-	2,118	2,281
Cultural and recreation	4,833	4,730	-	-	4,833	4,730
Economic development	78	149	-	-	78	149
Interest on long-term debt	284	256	-	-	284	256
Water	-	-	3,803	4,080	3,803	4,080
Sewer	-	-	3,978	3,638	3,978	3,638
Electricity	-	-	8,455	8,312	8,455	8,312
Total Expenses	<u>17,670</u>	<u>16,495</u>	<u>16,236</u>	<u>16,030</u>	<u>33,906</u>	<u>32,525</u>
Change in net position before:	(2,474)	(1,720)	2,699	2,384	225	664
Extraordinary item	160	592	-	-	160	592
Transfers	(908)	(1,574)	908	1,574	-	-
Change in net position	<u>(3,222)</u>	<u>(2,722)</u>	<u>3,607</u>	<u>3,958</u>	<u>385</u>	<u>1,236</u>
Beginning net position	<u>33,984</u>	<u>36,706</u>	<u>30,449</u>	<u>26,491</u>	<u>64,433</u>	<u>63,197</u>
Ending net position	<u>\$ 30,762</u>	<u>\$ 33,984</u>	<u>\$ 34,056</u>	<u>\$ 30,449</u>	<u>\$ 64,818</u>	<u>\$ 64,433</u>

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**Governmental Activities.** The City's revenues increased \$441,000, mostly as a result of payments received in lieu of taxes as part of Enterprise Zone agreements that began during the year.

Expenses to perform governmental activities increased \$1.2 million. Much of the increase results from the Oregon Public Employee Retirement System, which increased the City's contribution rates by over 4% as part of its scheduled by-annual rate adjustment.

**Business-type activities.** The City increased water and sewer rates in March 2019. The resulting increase in utility charges offset decreases in capital grants and interest. Costs to provide utility services increased 1.3% from the prior year.

## **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, 2020, the City's governmental funds reported a combined ending fund balance of \$9.6 million compared to prior year's balance of \$11.1 million. The City had a decrease in fund balance of \$1.5 million. Unassigned fund balance as of June 30, 2020, was \$2.25 million 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, 2020, the total fund balance was \$2.35 million, of which \$2.25 million is considered unassigned, reflecting a decrease in unassigned fund balance of approximately \$730,000 from the prior year. Expenditures in the general fund increased \$318,000 from the prior year, which was mainly due to payroll costs related to inflation and increased PERS rates. Revenues increased about \$130,000. Increases in property tax revenues were offset by a decrease in charges for services. Charges for services were lower because recreational activities were cancelled because of the global COVID-19 pandemic. Total fund balance decreased \$401,870 compared to a decrease in fund balance of \$690,000 in the prior year.

Other major governmental funds include the State Tax Street Fund, and Reserve Fund. The fund balance in the State Tax Fund decreased by \$890,000 primarily due to decreased intergovernmental revenue and an increase in capital outlay. The City performed significant street and sidewalk improvements during the year. The Reserve Fund balance increased \$180,000 due to contributions received to rebuild a playground and insurance proceeds from damage to City Hall.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**General Fund Budgetary Highlights**

The City adopted two supplemental budgets, which affected the General Fund, increasing appropriations by \$135,643. The largest part of the change was to increase administrative expenditures by \$55,770.

General Fund revenues exceeded budgeted expectations by \$200,000, which was mainly due to property taxes, franchise fees and intergovernmental activity. Actual expenditures of the General Fund were \$1.1 million less than budgeted. Restrictions intended to slow the progress of the global COVID-19 pandemic reduced government expenditures.

**Capital Assets**

The City had \$107.8 million in capital assets net of depreciation at June 30, 2020 allocated as follows:

Net Capital Assets  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and easements	\$ 3,558	\$ 3,463	\$ 1,080	\$ 1,080	\$ 4,638	\$ 4,543
Construction in progress	1,272	523	217	1,945	1,489	2,468
Buildings and systems	25,966	27,344	67,219	63,456	93,185	90,800
Machinery, equipment	1,534	1,355	705	863	2,239	2,218
Street system	6,219	4,923	-	-	6,219	4,923
Total capital assets	<u>\$ 38,549</u>	<u>\$ 37,608</u>	<u>\$ 69,221</u>	<u>\$ 67,344</u>	<u>\$ 107,770</u>	<u>\$ 104,952</u>

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

**Debt Administration**

At year end, the City had \$51.0 million in long term debt outstanding compared to \$50.8 million last year. The City repaid approximately \$3 million of long term debt during the year. The City did not issue any bonds payable, but drew \$2.9 million on its Oregon Business Development note. Additional information on debt administration can be found in Note 5 to the Financial Statements.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2020**

**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 2020-21 is \$57.3 million, which is a increase of \$684,000 from the prior year's amended budget. The budget includes a 2.75% cost of living adjustment for all City employees. The FY19-20 budget includes a 3.0% 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 \$1.3 million compared to \$0.5 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 2020-21 budget also includes a separate allocation for contingency of \$6.3 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, 215 E Gladys Avenue, Hermiston, OR 97838.

**BASIC FINANCIAL STATEMENTS**

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS:</u></b>			
Current assets:			
Cash and cash equivalents	\$ 6,150,842	\$ 4,313,974	\$ 10,464,816
Investments	3,982,063	1,292,187	5,274,250
Restricted cash and cash equivalents	97,320	198,414	295,734
Property taxes receivable	334,869	-	334,869
Accounts and other receivables, net	1,817,514	1,636,480	3,453,994
Prepaid items	193,178	62,148	255,326
Inventories	29,825	-	29,825
Total current assets	<u>12,605,611</u>	<u>7,503,203</u>	<u>20,108,814</u>
Noncurrent assets:			
Other post employment benefits asset	84,413	29,458	113,871
Capital assets:			
Nondepreciable	4,829,930	1,296,896	6,126,826
Depreciable, net	33,719,130	67,924,116	101,643,246
Total noncurrent assets	<u>38,633,473</u>	<u>69,250,470</u>	<u>107,883,943</u>
Total assets	<u>51,239,084</u>	<u>76,753,673</u>	<u>127,992,757</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Deferred outflows related to pension	3,305,782	1,153,639	4,459,421
Deferred outflows related to OPEB	108,818	37,975	146,793
Deferred amounts on refunding	-	185,945	185,945
Total deferred outflows of resources	<u>3,414,600</u>	<u>1,377,559</u>	<u>4,792,159</u>
Total assets and deferred outflows of resources	<u>\$ 54,653,684</u>	<u>\$ 78,131,232</u>	<u>\$ 132,784,916</u>
<b><u>LIABILITIES:</u></b>			
Current liabilities:			
Accounts payable	\$ 1,495,703	\$ 752,285	\$ 2,247,988
Retainage payable	-	-	-
Accrued interest payable	165,333	231,951	397,284
Customer Deposits	97,320	198,414	295,734
Unearned revenue	-	173,000	173,000
Current portion of long-term liabilities	959,758	1,980,317	2,940,075
Total current liabilities	<u>2,718,114</u>	<u>3,335,967</u>	<u>6,054,081</u>
Noncurrent liabilities:			
Other post employment benefits liability	511,344	178,448	689,792
Net pension liability	9,052,669	3,159,163	12,211,832
Noncurrent portion of long-term liabilities	10,940,308	37,167,224	48,107,532
Total noncurrent liabilities	<u>20,504,321</u>	<u>40,504,835</u>	<u>61,009,156</u>
Total liabilities	<u>23,222,435</u>	<u>43,840,802</u>	<u>67,063,237</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Deferred inflows related to pension	593,968	207,280	801,248
Deferred inflows related to OPEB	75,379	26,306	101,685
Total deferred inflows of resources	<u>669,347</u>	<u>233,586</u>	<u>902,933</u>
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	28,422,213	30,340,724	58,762,937
Restricted	2,841,382	-	2,841,382
Unrestricted	(501,693)	3,716,120	3,214,427
Total net position	<u>30,761,902</u>	<u>34,056,844</u>	<u>64,818,746</u>
Total liabilities, deferred inflows, and net position	<u>\$ 54,653,684</u>	<u>\$ 78,131,232</u>	<u>\$ 132,784,916</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**June 30, 2020**

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
Governmental activities:							
General government	\$ 3,932,518	\$ 1,339,454	\$ 714,979	\$ 85,510	\$ (1,792,575)	\$ -	\$ (1,792,575)
Public safety	6,424,506	488,462	41,840	-	(5,894,204)	-	(5,894,204)
Highways and streets	2,118,020	-	1,590,169	-	(527,851)	-	(527,851)
Culture and recreation	4,833,141	833,104	4,187	810,553	(3,185,297)	-	(3,185,297)
Economic development	77,848	-	58,004	-	(19,844)	-	(19,844)
Interest on long-term obligations	283,832	-	-	-	(283,832)	-	(283,832)
Total governmental activities	17,669,865	2,661,020	2,409,179	896,063	(11,703,603)	-	(11,703,603)
Business-type activities:							
Water	3,802,694	5,406,535	-	143,193	-	1,747,034	1,747,034
Sewer	3,978,127	4,710,812	-	-	-	732,685	732,685
Electricity	8,455,151	8,581,271	-	-	-	126,120	126,120
Total business-type activities	16,235,972	18,698,618	-	143,193	-	2,605,839	2,605,839
Total primary government	\$33,905,837	\$ 21,359,638	\$ 2,409,179	\$ 1,039,256	(11,703,603)	2,605,839	(9,097,764)
General revenues:							
Property taxes levied for:							
General purposes					6,184,066	-	6,184,066
Debt service					307,678	-	307,678
Payments in lieu of taxes					500,000	-	500,000
Franchise and transient room taxes					1,630,306	-	1,630,306
Interest and investment earnings					237,102	94,364	331,466
Miscellaneous					370,614	-	370,614
Transfers					(907,788)	907,788	-
Extraordinary item:							
Impairment gain from fire damage					159,890	-	159,890
Total general revenues, transfers, and extraordinary item					8,481,868	1,002,152	9,484,020
Change in net position					(3,221,735)	3,607,991	386,256
Net Position, beginning					33,983,637	30,448,853	64,432,490
Net Position, ending					\$ 30,761,902	\$ 34,056,844	\$ 64,818,746

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

**CITY OF HERMISTON, OREGON**

**FUND FINANCIAL STATEMENTS**

**June 30, 2020**

**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 Tax Street Fund**

The State Tax Street 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 OF HERMISTON, OREGON**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**June 30, 2020**

	<u>Combined General Fund</u>	<u>State Street Tax Fund</u>	<u>Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b><u>ASSETS:</u></b>					
Cash and cash equivalents	\$ 584,644	\$ 249,987	\$ 3,749,291	\$ 1,664,240	\$ 6,248,162
Investments	1,589,703	-	2,392,360	-	3,982,063
Receivables (net of allowances for uncollectible):					
Property taxes	310,059	-	-	24,810	334,869
Intergovernmental and other	576,283	414,096	426,500	400,635	1,817,514
Advances to other funds	103,236	-	-	-	103,236
Total assets	<u>\$ 3,163,925</u>	<u>\$ 664,083</u>	<u>\$ 6,568,151</u>	<u>\$ 2,089,685</u>	<u>\$ 12,485,844</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Accounts payable and accrued liabilities	\$ 468,643	\$ 179,988	\$ 672,489	\$ 174,583	\$ 1,495,703
Deposits	5,300	-	-	92,020	97,320
Advances from other funds	-	-	-	103,236	103,236
Total liabilities	<u>473,943</u>	<u>179,988</u>	<u>672,489</u>	<u>369,839</u>	<u>1,696,259</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>					
Unavailable revenue	336,179	336,541	301,250	192,086	1,166,056
Total deferred inflows of resources	<u>336,179</u>	<u>336,541</u>	<u>301,250</u>	<u>192,086</u>	<u>1,166,056</u>
<b><u>FUND BALANCES:</u></b>					
Nonspendable	103,236	-	-	-	103,236
Restricted	-	147,554	1,850,803	843,025	2,841,382
Committed	-	-	3,743,609	684,735	4,428,344
Unassigned	2,250,567	-	-	-	2,250,567
Total fund balances	<u>2,353,803</u>	<u>147,554</u>	<u>5,594,412</u>	<u>1,527,760</u>	<u>9,623,529</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,163,925</u>	<u>\$ 664,083</u>	<u>\$ 6,568,151</u>	<u>\$ 2,089,685</u>	<u>\$ 12,485,844</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, 2020**

<b>Fund balances - total governmental funds</b>	<b>\$ 9,623,529</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	38,549,060
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.	(6,340,855)
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.	(393,492)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	1,166,056
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(443,659)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(165,333)
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.	(11,456,407)
Prepaid insurance uses current financial resources and, therefore, is not reported in the funds.	193,178
Inventory uses current financial resources and, therefore, is not reported in the funds.	<u>29,825</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 30,761,902</u></u></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, 2020**

	Combined General Fund	Street Tax Fund	Reserve Fund	Other Governmental Funds	Totals
<b><u>REVENUES:</u></b>					
Property taxes	\$ 5,969,584	\$ -	\$ -	\$ 497,744	\$ 6,467,328
Payments in lieu of taxes	-	-	-	500,000	500,000
Transient room taxes	-	-	-	811,074	811,074
Franchise fees	794,365	-	-	-	794,365
Licenses and fees	6,295	-	-	-	6,295
Charges for services	1,752,712	-	-	366,507	2,119,219
Intergovernmental	720,399	1,253,628	116,800	105,701	2,196,528
Fines and forfeitures	333,706	-	-	154,756	488,462
System development charges	-	-	52,584	-	52,584
Rental income	48,798	-	-	-	48,798
Contributions	-	-	369,303	180,794	550,097
Interest on investments	90,170	7,482	132,935	6,515	237,102
Miscellaneous	293,181	985	58,582	17,866	370,614
Total revenues	<u>10,009,210</u>	<u>1,262,095</u>	<u>730,204</u>	<u>2,640,957</u>	<u>14,642,466</u>
<b><u>EXPENDITURES:</u></b>					
Current:					
General government	2,662,765	-	555,843	154,548	3,373,156
Public safety	5,711,913	-	-	73,341	5,785,254
Culture and recreation	2,711,181	-	-	734,947	3,446,128
Economic development	-	-	-	77,848	77,848
Highways and streets	-	1,530,214	-	-	1,530,214
Capital outlay	126,763	179,690	2,706,750	-	3,013,203
Debt service	-	-	-	1,021,907	1,021,907
Total expenditures	<u>11,212,622</u>	<u>1,709,904</u>	<u>3,262,593</u>	<u>2,062,591</u>	<u>18,247,710</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>					
	<u>(1,203,412)</u>	<u>(447,809)</u>	<u>(2,532,389)</u>	<u>578,366</u>	<u>(3,605,244)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Issuance of debt	-	-	2,873,681	-	2,873,681
Transfers in	1,352,100	-	2,726,359	390,303	4,468,762
Transfers out	(881,411)	(441,550)	(3,044,200)	(1,009,389)	(5,376,550)
	<u>470,689</u>	<u>(441,550)</u>	<u>2,555,840</u>	<u>(619,086)</u>	<u>1,965,893</u>
<b><u>EXTRAORDINARY ITEM:</u></b>					
Insurance recovery from fire damage	-	-	159,890	-	159,890
<b><u>NET CHANGE IN FUND BALANCE</u></b>					
	(732,723)	(889,359)	183,341	(40,720)	(1,479,461)
<b><u>FUND BALANCE, BEGINNING</u></b>					
	3,086,526	1,036,913	5,411,071	1,568,480	11,102,990
<b><u>FUND BALANCE, ENDING</u></b>					
	<u>\$ 2,353,803</u>	<u>\$ 147,554</u>	<u>\$ 5,594,412</u>	<u>\$ 1,527,760</u>	<u>\$ 9,623,529</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, 2020**

**Net change in fund balance - governmental funds** \$ (1,479,461)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Unavailable revenues	553,562
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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.

830,500

Issuance of debt and bond premium is a financial resource in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.

(2,873,681)

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:

Change in inventory	9,992
Change in prepaid insurance	307
Change in compensated absences	(47,701)
Change in accrued interest payable	(92,425)
Change in pension liability and related deferred outflows and inflows	(1,046,189)
Change in OPEB liability and related deferred outflows and inflows	(17,639)

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:

Capital asset additions	\$ 3,022,867
Depreciation expense	<u>(2,081,867)</u>

941,000

**Change in net position - governmental activities**

\$ (3,221,735)

**CITY OF HERMISTON, OREGON**

**FUND FINANCIAL STATEMENTS**

**June 30, 2020**

**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.

**2016 FF&C Electric Fund**

The 2016 FF&C Electric Fund accounts for bond proceeds issued for improvements to the City's electrical system.

**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.

**2017 FF&C Sewer and Water Fund**

The 2017 FF&C Sewer and Water Fund accounts for bond proceeds issued for improvements to the City's water and recycled water systems.

**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, 2020**

Business - Type Activities - Enterprise Funds

	Electricity Operations	Utility Operations	Regional Water Operations	Total
<b><u>ASSETS:</u></b>				
Current assets:				
Cash and cash equivalents	\$ 1,710,511	\$ 2,200,383	\$ 403,080	\$ 4,313,974
Investments	1,256,802	35,385	-	1,292,187
Restricted cash and cash equivalents	183,614	14,800	-	198,414
Receivables:				
Accounts, net	517,603	1,054,181	64,696	1,636,480
Prepaid items	4,035	53,244	4,869	62,148
Total current assets	<u>3,672,565</u>	<u>3,357,993</u>	<u>472,645</u>	<u>7,503,203</u>
Noncurrent assets:				
Other post employment benefits assets	3,346	24,076	2,036	29,458
Capital assets, net	15,085,432	46,101,204	8,034,376	69,221,012
Total noncurrent assets	<u>15,088,778</u>	<u>46,125,280</u>	<u>8,036,412</u>	<u>69,250,470</u>
Total assets	<u>18,761,343</u>	<u>49,483,273</u>	<u>8,509,057</u>	<u>76,753,673</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred outflows related to pension	131,022	942,882	79,735	1,153,639
Deferred outflows related to OPEB	4,313	31,037	2,625	37,975
Deferred amounts on refunding	185,945	-	-	185,945
Total deferred outflows of resources	<u>321,280</u>	<u>973,919</u>	<u>82,360</u>	<u>1,377,559</u>
Total assets and deferred outflows of resources	<u>\$ 19,082,623</u>	<u>\$ 50,457,192</u>	<u>\$ 8,591,417</u>	<u>\$ 78,131,232</u>
<b><u>LIABILITIES:</u></b>				
Current liabilities:				
Accounts payable	\$ 420,733	\$ 312,895	\$ 18,657	\$ 752,285
Accrued interest payable	37,373	194,578	-	231,951
Deposits	183,614	14,800	-	198,414
Unearned revenue	-	173,000	-	173,000
Current portion long-term liabilities	670,495	1,309,822	-	1,980,317
Total current liabilities	<u>1,312,215</u>	<u>2,005,095</u>	<u>18,657</u>	<u>3,335,967</u>
Noncurrent liabilities:				
Other post employment benefits liability	20,267	145,847	12,334	178,448
Net pension liability	358,794	2,582,020	218,349	3,159,163
Noncurrent portion of long-term liabilities	13,790,688	23,376,536	-	37,167,224
Total liabilities	<u>15,481,964</u>	<u>28,109,498</u>	<u>249,340</u>	<u>43,840,802</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Deferred inflows related to pension	23,541	169,413	14,326	207,280
Deferred inflows related to OPEB	2,988	21,500	1,818	26,306
Total deferred inflows	<u>26,529</u>	<u>190,913</u>	<u>16,144</u>	<u>233,586</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	810,194	21,496,154	8,034,376	30,340,724
Unrestricted	2,763,936	660,627	291,557	3,716,120
Total net position	<u>3,574,130</u>	<u>22,156,781</u>	<u>8,325,933</u>	<u>34,056,844</u>
Total liabilities, deferred inflows, and net position	<u>\$ 19,082,623</u>	<u>\$ 50,457,192</u>	<u>\$ 8,591,417</u>	<u>\$ 78,131,232</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, 2020**

	Business - Type Activities - Enterprise Funds			Totals
	Electricity Operations	Utility Operations	Regional Water Operations	
<b><u>OPERATING REVENUES:</u></b>				
Charges for services - electricity	\$ 8,581,271	\$ -	\$ -	\$ 8,581,271
Charges for services - sewer	-	4,710,812	-	4,710,812
Charges for services - water	-	4,336,300	1,070,235	5,406,535
Total operating revenues	<u>8,581,271</u>	<u>9,047,112</u>	<u>1,070,235</u>	<u>18,698,618</u>
<b><u>OPERATING EXPENSES:</u></b>				
Electricity	7,350,097	-	-	7,350,097
Sewer	-	2,684,140	-	2,684,140
Water	-	2,033,973	657,752	2,691,725
Depreciation	698,410	1,313,460	269,763	2,281,633
Total operating expenses	<u>8,048,507</u>	<u>6,031,573</u>	<u>927,515</u>	<u>15,007,595</u>
<b><u>OPERATING INCOME</u></b>	<u>532,764</u>	<u>3,015,539</u>	<u>142,720</u>	<u>3,691,023</u>
<b><u>NON-OPERATING INCOME (EXPENSES):</u></b>				
Interest on investments	83,776	7,377	3,211	94,364
Interest expense	(406,644)	(821,733)	-	(1,228,377)
Total non-operating income (expenses)	<u>(322,868)</u>	<u>(814,356)</u>	<u>3,211</u>	<u>(1,134,013)</u>
<b><u>NET INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</u></b>	209,896	2,201,183	145,931	2,557,010
<b><u>CAPITAL CONTRIBUTIONS:</u></b>				
System development charges	-	-	143,193	143,193
<b><u>TRANSFERS:</u></b>				
Transfers in	250,000	2,794,200	-	3,044,200
Transfers out	(631,537)	(1,292,875)	(212,000)	(2,136,412)
<b><u>CHANGE IN NET POSITION</u></b>	(171,641)	3,702,508	77,124	3,607,991
<b><u>NET POSITION, BEGINNING</u></b>	<u>3,745,771</u>	<u>18,454,273</u>	<u>8,248,809</u>	<u>30,448,853</u>
<b><u>NET POSITION, ENDING</u></b>	<u>\$ 3,574,130</u>	<u>\$ 22,156,781</u>	<u>\$ 8,325,933</u>	<u>\$ 34,056,844</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, 2020**

	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	\$ 8,667,485	\$ 9,390,657	\$ 1,234,887	\$ 19,293,029
Payments to suppliers and others	(7,060,580)	(1,893,790)	(608,556)	(9,562,926)
Payments to employees and others for salaries/benefits	(323,162)	(2,564,153)	(216,265)	(3,103,580)
Net cash provided from operating activities	<u>1,283,743</u>	<u>4,932,714</u>	<u>410,066</u>	<u>6,626,523</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers in	250,000	2,794,200	-	3,044,200
Transfers out	(631,537)	(1,292,875)	(212,000)	(2,136,412)
Net cash provided from (used by) non-capital financing activities	<u>(381,537)</u>	<u>1,501,325</u>	<u>(212,000)</u>	<u>907,788</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
System development charges	-	-	143,193	143,193
Acquisition of capital assets	(1,033,085)	(2,887,338)	(275,160)	(4,195,583)
Principal paid on long-term obligations	(660,495)	(1,194,883)	-	(1,855,378)
Interest	(406,977)	(831,075)	-	(1,238,052)
Net cash provided from (used by) capital and related financing activities	<u>(2,100,557)</u>	<u>(4,913,296)</u>	<u>(131,967)</u>	<u>(7,145,820)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Sales of investments	706,561	19,866	-	726,427
Purchases of investments	(748,372)	(21,043)	-	(769,415)
Interest on investments	83,776	7,377	3,211	94,364
Net cash provided by investing activities	<u>41,965</u>	<u>6,200</u>	<u>3,211</u>	<u>51,376</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>				
	(1,156,386)	1,526,943	69,310	439,867
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING</u></b>				
	<u>3,050,511</u>	<u>688,240</u>	<u>333,770</u>	<u>4,072,521</u>
<b><u>CASH AND CASH EQUIVALENTS, ENDING</u></b>				
	<u>\$ 1,894,125</u>	<u>\$ 2,215,183</u>	<u>\$ 403,080</u>	<u>\$ 4,512,388</u>
<b><u>COMPRISED AS FOLLOWS:</u></b>				
Cash and cash equivalents	\$ 1,710,511	\$ 2,200,383	\$ 403,080	\$ 4,313,974
Restricted cash and cash equivalents - current	183,614	14,800	-	198,414
	<u>\$ 1,894,125</u>	<u>\$ 2,215,183</u>	<u>\$ 403,080</u>	<u>\$ 4,512,388</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, 2020**

	Business - Type Activities - Enterprise Funds			
	Electricity		Regional	
	Operations	Utility	Water	Totals
	Fund	Operations	Operations	
<b><u>Reconciliation of operating income to net cash provided from operating activities</u></b>				
Operating income	\$ 532,764	\$ 3,015,539	\$ 142,720	\$ 3,691,023
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	698,410	1,313,460	269,763	2,281,633
(Increase) decrease in assets and deferred outflows:				
Receivables	94,696	346,518	164,652	605,866
Prepaid	(362)	(824)	(252)	(1,438)
Other post employment benefits asset	(1,603)	(9,318)	(599)	(11,520)
Deferred outflows - pension	(18,214)	12,025	13,219	7,030
Deferred outflows - OPEB	(1,195)	7,040	235	6,080
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	(105,443)	42,554	(167,433)	(230,322)
Customer Deposits	(8,482)	(1,400)	-	(9,882)
Unearned revenues	-	(1,573)	-	(1,573)
Other post employment benefits liability	8,636	(10,065)	1,318	(111)
Net pension liability	89,770	304,753	(3,328)	391,195
Deferred inflows - pension	(6,100)	(81,500)	(10,099)	(97,699)
Deferred inflows - OPEB	866	(4,495)	(130)	(3,759)
Net cash provided from operating activities	<u>\$ 1,283,743</u>	<u>\$ 4,932,714</u>	<u>\$ 410,066</u>	<u>\$ 6,626,523</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, 2020**

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

The City’s comprehensive annual 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, 2020**

**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, 2020**

**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 Tax Street Fund:**

This 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.

**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. The City reports the following major proprietary funds:

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**  
**June 30, 2020**

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

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

**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, 2020**

**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 position that applies to future period(s) 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, 2020**

**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 position 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, 2020**

**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.

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.

**NOTE 2 – CASH AND INVESTMENTS:**

At June 30, 2020 cash and investments consisted of the following:

Cash	\$ 7,475,877
Cash equivalents	3,284,673
Total cash and cash equivalents	<u>\$ 10,760,550</u>

Cash and cash equivalents are displayed on the financial statements as:

Cash and cash equivalents	\$ 10,464,816
Restricted cash and cash equivalents	295,734
Total cash and cash equivalents	<u>\$ 10,760,550</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	0.55	\$ 3,284,673
Government Cash Reserves Fund	-	239,657
Corporate Bonds (23% A-, 15% A+, 33% AA-, 14% AA, 15% AA+)	2.72	1,825,215
Municipal Bonds	2.17	78,114
US Agencies (All rated agencies are AA+)	1.30	3,110,786
Accrued Interest	1.05	20,478
	<u>2.08</u>	<u>8,558,923</u>
Less amounts classified as cash equivalents	<u>(0.55)</u>	<u>(3,284,673)</u>
Total investments	<u>1.72</u>	<u>\$ 5,274,250</u>

**Restricted Cash**

Current restricted cash includes \$248,179 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) and National Credit Union Administration (NCUA) 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. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. 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, 2020, the book value of the City's deposits was \$7,475,877 and the bank balance was \$7,144,907. \$6,894,907 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

**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.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**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: ORS 294.035 (Investment of surplus funds or political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for Custodial Officer), ORS 294.805 to 294.895 (Local Government Investment Pool), and ORS 294.052 (Investment by municipality of proceeds of bonds). Any revisions or extensions of these sections of the ORS Chapter 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%	
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
Bank Time Deposits/Savings Accounts/Certificates of Deposit(2)	50%	-
Per Institution	25%	

(1) 25% maximum per ORS 294.035 (D)

(2) As Authorized by ORS 294.035 (3)(d)

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

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. The City had the following investments in US Agencies that are not explicitly guaranteed and exceeded the 5 percent threshold: Federal Agricultural Mortgage Corporation \$516,515, Federal Farm Credit Bank \$1,001,180, and Resolution Funding Federal Bank \$1,050,905. 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, 2020, 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 \$100,872 and Energy Services for \$29,857. 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, 2020**

**NOTE 4 – CAPITAL ASSETS:**

The changes in capital assets for the governmental activities for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Governmental activities:</u></b>				
Capital Assets, non-depreciable:				
Land	\$ 3,463,310	\$ 95,000	\$ -	\$ 3,558,310
Construction in progress	523,093	1,939,101	(1,190,574)	1,271,620
Total capital assets, non-depreciable	<u>3,986,403</u>	<u>2,034,101</u>	<u>(1,190,574)</u>	<u>4,829,930</u>
Capital assets, depreciable:				
Buildings and improvements	38,443,152	20,791	-	38,463,943
Machinery and equipment	4,101,158	426,182	(26,247)	4,501,093
Street system	17,757,295	1,732,367	-	19,489,662
Total capital assets, depreciable	<u>60,301,605</u>	<u>2,179,340</u>	<u>(26,247)</u>	<u>62,454,698</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,099,565)	(1,398,658)	-	(12,498,223)
Machinery and equipment	(2,746,198)	(246,549)	26,247	(2,966,500)
Street system	(12,834,185)	(436,660)	-	(13,270,845)
Total accumulated depreciation	<u>(26,679,948)</u>	<u>(2,081,867)</u>	<u>26,247</u>	<u>(28,735,568)</u>
Net depreciable capital assets	<u>33,621,657</u>	<u>97,473</u>	<u>-</u>	<u>33,719,130</u>
Net capital assets	<u>\$ 37,608,060</u>	<u>\$ 2,131,574</u>	<u>\$ (1,190,574)</u>	<u>\$ 38,549,060</u>

Depreciation expense is allocated to governmental functions as follows:

<b>Governmental activities:</b>	
General government	\$ 382,368
Public safety	84,266
Highways and streets	516,995
Culture and recreation	1,098,238
Total depreciation expense - governmental activities	<u>\$ 2,081,867</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

The changes in capital assets for the business-type activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Business-type activities:</u>				
Capital Assets, non-depreciable:				
Land	\$ 1,079,743	\$ -	\$ -	\$ 1,079,743
Construction in progress	1,944,560	2,402,376	(4,129,783)	217,153
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, non-depreciable	3,024,303	2,402,376	(4,129,783)	1,296,896
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, depreciable:				
Utility Systems and buildings	73,857,750	4,681,538	-	78,539,288
Electrical system	23,036,571	1,033,085	-	24,069,656
Equipment and vehicles	1,868,169	171,787	-	2,039,956
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, depreciable	98,762,490	5,886,410	-	104,648,900
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Utility Systems and buildings	(25,152,621)	(1,253,177)	-	(26,405,798)
Electrical system	(8,285,814)	(698,410)	-	(8,984,224)
Equipment and vehicles	(1,004,716)	(330,046)	-	(1,334,762)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(34,443,151)	(2,281,633)	-	(36,724,784)
	<hr/>	<hr/>	<hr/>	<hr/>
Net depreciable capital assets	64,319,339	3,604,777	-	67,924,116
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ 67,343,642	\$ 6,007,153	\$ (4,129,783)	\$ 69,221,012
	<hr/>	<hr/>	<hr/>	<hr/>

Depreciation expense is allocated to governmental functions as follows:

<u>Business-type activities:</u>	
Water	\$ 432,657
Sewer	880,803
Electric	698,410
Regional Water	269,763
	<hr/>
Total depreciation expense - business-type activities	\$ 2,281,633
	<hr/>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**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, 2020 was as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Principal Transactions :					
Governmental bonds					
2013 pool bonds	\$ 2,605,000	\$ -	\$ (120,000)	\$ 2,485,000	\$ 130,000
2017 HURA bonds	1,370,000	-	(60,000)	1,310,000	60,000
2017 HURA premium	43,483	-	(2,455)	41,028	2,455
2017 TPA bonds	1,965,000	-	(85,000)	1,880,000	85,000
2017 TPA premium	62,713	-	(3,542)	59,171	3,542
2013 pool premium	88,787	-	(6,342)	82,445	6,342
2011 refunding regional water bonds	1,540,000	-	(260,000)	1,280,000	270,000
2011 refunding regional water premium	59,472	-	(9,912)	49,560	9,912
Total governmental bonds	<u>7,734,455</u>	<u>-</u>	<u>(547,251)</u>	<u>7,187,204</u>	<u>567,251</u>
Governmental Loans/Notes from direct borrowings					
Banner Bank	247,158	-	(247,158)	-	-
Oregon Business Development Dept.	1,198,583	2,873,681	-	4,072,264	-
Total Governmental Loans	<u>1,445,741</u>	<u>2,873,681</u>	<u>(247,158)</u>	<u>4,072,264</u>	<u>-</u>
Other Governmental long-term obligations					
Governmental Leases					
TYMCO, Inc. sweeper lease	192,430	-	(29,048)	163,382	30,195
Bank of the West chipper lease	40,600	-	(7,043)	33,557	7,385
Total Governmental Leases	<u>233,030</u>	<u>-</u>	<u>(36,091)</u>	<u>196,939</u>	<u>37,580</u>
Compensated absences	395,958	523,426	(475,725)	443,659	354,927
Total governmental activities	<u>\$ 9,809,184</u>	<u>\$3,397,107</u>	<u>\$(1,306,225)</u>	<u>\$ 11,900,066</u>	<u>\$ 959,758</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

Long-term liability activity for the year ended June 30, 2020 was as follows (continued):

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Business -type activities :					
Enterprise bonds					
2017 Water bonds	\$ 2,930,000	\$ -	\$ (125,000)	\$ 2,805,000	\$ 130,000
2017 Water premium	93,512	-	(5,281)	88,231	5,281
2014 sewer and water bonds	4,460,000	-	(135,000)	4,325,000	140,000
2014 sewer and water premium	221,466	-	(10,546)	210,920	10,546
2016 Electric bonds	14,335,000	-	(615,000)	13,720,000	625,000
2016 Electric premium	786,678	-	(45,495)	741,183	45,495
Total enterprise bonds	<u>22,826,656</u>	<u>-</u>	<u>(936,322)</u>	<u>21,890,334</u>	<u>956,322</u>
Enterprise loans /notes from direct borrowings					
Business Oregon	9,415	-	(9,415)	-	-
Oregon DEQ	18,073,457	-	(917,885)	17,155,572	942,687
Total enterprise loans	<u>18,082,872</u>	<u>-</u>	<u>(927,300)</u>	<u>17,155,572</u>	<u>942,687</u>
Other Business-type long-term obligations					
Compensated absences	93,391	134,840	(126,596)	101,635	81,308
Total business-type activities	<u>\$ 41,002,919</u>	<u>\$ 134,840</u>	<u>\$(1,990,218)</u>	<u>\$ 39,147,541</u>	<u>\$ 1,980,317</u>
Total City	<u>\$ 50,812,103</u>	<u>\$ 3,531,947</u>	<u>\$(3,296,443)</u>	<u>\$ 51,047,607</u>	<u>\$ 2,940,075</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, 2020, the City's legal debt margin, the debt limit less applicable debt, was \$39,790,226.

**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, 2020**

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

**Bonds Payable (continued):**

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.

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.

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 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.

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.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

**Bonds Payable (continued):**

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.

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

Fiscal Year Ending June 30,	<u>Total enterprise bonds</u>		<u>Total governmental bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 956,322	\$ 714,424	\$ 567,251	\$ 224,831
2022	976,322	691,163	597,251	203,982
2023	1,011,322	661,762	617,251	182,181
2024	1,041,322	631,313	637,251	159,632
2025	1,071,322	599,912	482,251	140,582
2026-2030	5,881,610	2,464,387	1,991,695	526,198
2031-2035	6,906,610	1,445,013	1,814,010	222,014
2036-2040	4,045,504	255,400	480,244	23,100
Total	<u>\$ 21,890,334</u>	<u>\$ 7,463,374</u>	<u>\$ 7,187,204</u>	<u>\$ 1,682,520</u>

**Notes payable:**

The City took over the Eastern Oregon Trade and Events Center Authority and assumed all assets and liabilities, including \$730,000 from Banner Bank to complete construction of its facility. The note is payable with \$258,816 due each June 30, including interest at 3.10%. The note was paid in full during the year.

The City borrowed \$76,362 with an interest rate of 4.99% from Business Oregon, the Oregon Business Development Department, to install water and sewer infrastructure in conjunction with the construction of Penney Ave. The note was paid in full during the year.

The City borrowed \$4,072,264 with an interest rate of 2.83% from the Clean Water State Revolving Loan Fund Loan Program from the Oregon Department of Environmental Quality. Semi Annual payments of principal and interest are due in April and October of each year and final repayment is expected in April 2035. In the Event of Default, the DEQ may declare the outstanding loan immediately due and payable. Annual debt service requirements are based upon a repayment schedule required by the loan agreement.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

**Notes Payable (continued):**

The City borrowed \$17,052,672 with an interest rate of 2.65% from a second loan from the Clean Water State Revolving Loan Fund Loan Program from the Oregon Department of Environmental Quality. Semi Annual payments of principal and interest are due in April and October of each year and final repayment is expected in April 2035. In the Event of Default, the DEQ may declare the outstanding loan immediately due and payable. Annual debt service requirements are based upon a repayment schedule required by the loan agreement.

The City was approved for a Special Public Works Fund loan through Oregon Business Development Department (OBDD) to upgrade their water system. The project includes installation of a 1,000,000 gallon standpipe reservoir, design, and upgrades to existing booster pump stations. The total approval was for a maximum of \$4,516,575 and the project completion date is 36 months after the date of the contract, which was signed in August 2018. Starting on the loan repayment date and then each succeeding payment date, the City shall make level installments of principal and interest to fully amortize the loan over a period of 15 years with interest of 3.09%. The loan funds are disbursed on a cost reimbursement basis. The City has received loan disbursements of \$4,072,264 through June 30, 2020. 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. Future maturities are not available until project completion.

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

Fiscal Year Ending June 30,	Total enterprise loans	
	Principal	Interest
2021	\$ 942,687	\$ 537,716
2022	968,161	507,465
2023	994,325	476,395
2024	1,021,196	444,486
2025	1,048,791	411,716
2026-2030	5,684,754	1,535,136
2031-2035	6,495,658	572,230
	<u>\$ 17,155,572</u>	<u>\$ 4,485,144</u>

**Capital Leases:**

The City entered into a capital lease 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 capital lease 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.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

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

**Capital Leases (continued):**

Future debt service requirements for capital leases payable are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total governmental capital leases</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 37,580	\$ 8,947
2022	39,405	7,121
2023	41,332	5,194
2024	43,366	3,160
2025	35,256	1,393
	<u>\$ 196,939</u>	<u>\$ 25,815</u>

**NOTE 7 – OPERATING LEASES:**

The City leases 14 vehicles. The agreements require monthly payments ranging from \$428 to \$1,019 for 60 months and a total of \$72,688 as paid during the year. The agreements have mileage restrictions, a minimum value set for the vehicles at the end of the lease, and no purchase option. Future maturities are \$118,641 for 2021 through 2023, \$110,530 for 2024 and \$45,952 for 2025.

**NOTE 8 – FUND BALANCE:**

Fund balances by classification for the year ended June 30, 2020 were as follows:

	<u>Combined General Fund</u>	<u>Street Tax Fund</u>	<u>Reserve Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance					
Nonspendable:					
Advance to other funds	\$ 103,236	\$ -	\$ -	\$ -	\$ 103,236
Restricted for:					
Debt service	-	-	-	161,978	161,978
Culture and recreation	-	-	809,639	76,972	886,611
Highways and streets	-	147,554	93,393	50,000	290,947
Public safety	-	-	-	66,941	66,941
Economic development	-	-	343,309	487,134	830,443
System development	-	-	604,462	-	604,462
Committed to:					
Municipal court	-	-	-	1,933	1,933
Culture and recreation	-	-	389,859	10,560	400,419
Highways and streets	-	-	201,220	-	201,220
Economic development	-	-	204,445	-	204,445
Public safety	-	-	24,000	44,687	68,687
Utility systems	-	-	2,181,162	450,000	2,631,162
Insurance reserve	-	-	-	174,926	174,926
Other reserves	-	-	742,923	2,629	745,552
Unassigned	2,250,567	-	-	-	2,250,567
Total Fund Balance	<u>\$ 2,353,803</u>	<u>\$ 147,554</u>	<u>\$ 5,594,412</u>	<u>\$ 1,527,760</u>	<u>\$ 9,623,529</u>

\$383,897 of restricted fund balance is restricted by enabling legislation.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 9 – 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 13.5% of the fees as compensation for billing and collection services and as franchise fees.

**NOTE 10 – 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.

Budget and Actual 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.

Transfers consist of the following:

	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
Major Governmental Funds:		
Combined General Fund	\$ 1,352,100	\$ 881,411
State Tax Street Fund	-	441,550
Reserve Fund	2,726,359	3,044,200
Total Major Governmental Funds	<u>4,078,459</u>	<u>4,367,161</u>
Non-Major Governmental Funds:		
Law Enforcement Fund	10,573	-
Library Reserve Fund	-	90,000
Miscellaneous Special Revenue Fund	-	88,603
Senior Center Construction Fund	-	68,185
Transient Room Tax Fund	-	761,770
2017 FF&C TPA Fund	-	831
EOTEC Operations Fund	176,519	-
Bonded Debt Fund	203,211	-
Total Non-Major Governmental Funds	<u>390,303</u>	<u>1,009,389</u>
Total Governmental Funds	<u>4,468,762</u>	<u>5,376,550</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 10 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES (continued):**

**Interfund Transfers (continued):**

	<b><u>Transfer In</u></b>	<b><u>Transfer Out</u></b>
Proprietary Funds:		
Energy Operations	250,000	631,537
Utility Operations	2,794,200	1,292,875
Regional Water Operations	-	212,000
Total Proprietary Funds	<u>3,044,200</u>	<u>2,136,412</u>
Total All Funds	<u>\$ 7,512,962</u>	<u>\$ 7,512,962</u>

**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.

	<b><u>Interfund Loan Receivable</u></b>	<b><u>Interfund Loan Payable</u></b>
Combined General Fund	\$ 103,236	\$ -
Transient Room Tax Fund	-	93,325
Hermiston Urban Renewal Agency	-	9,911
Total	<u>\$ 103,236</u>	<u>\$ 103,236</u>

**NOTE 11 – 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, 2020 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, 2020**

#### **NOTE 11 – CONTINGENT LIABILITIES (continued):**

3. Airport Apron Rehab – The City was awarded state and federal grants totaling \$108,000 to rehabilitate the airport apron. Total costs are estimated at approximately \$110,000. Costs incurred as of June 30, 2020 were \$95,855.
4. Geer and Harper Intersection Realignment – The City has spent \$192,567 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 is currently spending \$200,000 to improve one of its wastewater lift station generator and ventilation systems. 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. Funland Play Structure Replacement – The City has received significant pledges and donations to supplement replacement of the Funland Play Structure. The City expects to use insurance proceeds and donations to meet the expected \$1.5 million cost. Costs incurred as of June 30, 2020 were \$498,993.
7. City Hall Replacement - City Hall was damaged in a December 2019 fire. The City sold \$23.7 million of full faith and credit bonds in September 2020. The bonds will provide \$9.6 million of funding to replace City Hall. The City has spent \$125,290 in engineering and design costs towards City Hall Replacement as of June 30, 2020.

#### **NOTE 12 – 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 and a management company is operating the facility on the City's behalf. 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 will make 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 needs identified by the management company, 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.

Many community members committed to make contributions toward the construction of EOTEC and to help repay the debt incurred for construction. Contributors were given the option to contribute in annual installments up to five years. Contributions receivable as of June 30, 2020 were \$121,500, all of which is due and expected to be collected by June 30, 2021. Management believes that the contributions will be fully collected. In addition to the amounts above, there have been informal commitments made with a remaining \$40,000 of potential contributions.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 13 – 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 14 – 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 Comprehensive Annual 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 options that are actuarially equivalent to the base 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 equivalence of benefits to which he or she is entitled.



**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 14 – 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 changes. The COLA is capped at 2%.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 14 – PENSION PLAN (continued):**

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

**2. OPSRP 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.

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.

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

**Pension Benefits:**

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.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 14 – PENSION PLAN (continued):**

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

**Pension Benefits (continued):**

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:**

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, 2017 actuarial valuation, which became effective July 1, 2019. Employer contributions and employer pickup contributions for the year ended June 30, 2019 were \$2,119,519, excluding \$3,154 to fund the retirement health insurance account (RHIA). The rates in effect for the fiscal year ended June 30, 2019, excluding the RHIA rate of .06%, were 26.81% for Tier One/Tier Two General Service Member, 18.84% for OPSRP Pension Program General Service Members, 23.47% for OPSRP Pension Program Police and Fire Members, and 6.00% for OPSRP Individual Account Program.

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

At June 30, 2020, the City reported a liability of \$12,211,832 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2019, the City's proportionate share was 0.07059840%, which was decreased from its proportionate share of 0.06886307% measured as of June 30, 2018.

For the year ended June 30, 2020, the City's recognized pension expense (income) of \$3,044,494. At June 30, 2020, 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, 2020**

**NOTE 14 – 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	\$ 673,447	\$ -
Changes of assumptions	1,656,674	-
Net difference between projected and actual earnings on investments	-	346,193
Changes in proportionate share	232,460	407,871
Differences between employer contributions and employer's proportionate share of system contributions	212,269	47,185
Total (prior to post-MD contributions)	<u>2,774,850</u>	<u>801,249</u>
Contributions subsequent to the measurement date	1,684,570	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 4,459,420</u>	<u>\$ 801,249</u>

\$1,684,570 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 1,093,794
2022	140,163
2023	388,987
2024	322,512
2025	28,145
Total	<u>\$ 1,973,601</u>

**E. Actuarial Assumptions:**

The employer contribution rates effective July 1, 2019, through June 30, 2021, 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, 2020**

**NOTE 14 – PENSION PLAN (continued):**

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

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 26, 2017
Actuarial Assumptions:	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.  Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and setbacks as described in the valuation.  Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

**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 July 2017 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, 2020**

**NOTE 14 – PENSION PLAN (continued):**

**F. 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	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.0%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>
			Compounded Annual Return (Geometric)
<u>Asset Class</u>		<u>Target Allocation</u>	
Core Fixed Income		8.00%	3.49%
Short-Term Bonds		8.00%	3.38%
Bank/Leveraged Loans		3.00%	5.09%
High Yield Bonds		1.00%	6.45%
Large/Mid Cap US Equities		15.75%	6.30%
Small Cap US Equities		1.31%	6.69%
Micro Cap US Equities		1.31%	6.80%
Developed Foreign Equities		13.13%	6.71%
Emerging Market Equities		4.13%	7.45%
Non-US Small Cap Equities		1.87%	7.01%
Private Equity		17.50%	7.45%
Real Estate (Property)		10.00%	5.51%
Real Estate (REITS)		2.50%	6.37%
Hedge Funds of Funds - Diversified		2.50%	4.09%
Hedge Funds - Event-driven		0.63%	5.86%
Timber		1.87%	5.62%
Farmland		1.87%	6.15%
Infrastructure		3.75%	6.60%
Commodities		1.88%	3.84%
Total		<u>100.00%</u>	
Assumed Inflation - Mean			2.50%

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 14 – 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 7.2 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, 2020**

**NOTE 14 – 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 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
City's proportionate share of the net pension liability (asset)	\$ 19,556,166	\$ 12,211,832	\$ 6,065,637

**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 \$138,069 to the pension plan.

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

There were no changes during the June 30, 2018 measurement period that require disclosure.

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

We are not aware of any changes subsequent to the June 30, 2019 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

**NOTE 15 – 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.



## **CITY OF HERMISTON, OREGON**

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

**June 30, 2020**

#### **NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

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.

#### **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 5 retired members and 83 active members in its plan on July 1, 2018, 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 \$689,791 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

**Actuarial assumptions and other inputs:**

Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation rate	2.5 percent per year
Discount rate	3.50 percent, based on a 20-year general obligation bond yield index published by The Bond Buyer
Projected salary increases	3.5 percent per year.
Health Cost Trend	Medical and vision: 2019-7%, 2020-5.50%, and between 4.75% and 6% for the subsequent 40+ years.
Cost of living adjustment (COLA)	3.5 percent per year, based on general inflation and the likelihood of raises throughout participants' careers
Health mortality	RP-2014 Healthy Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2019	\$ 640,779
Changes for the year:	
Service cost	34,104
Interest	25,510
Changes in assumptions or other inputs	21,117
Benefit payments	<u>(31,719)</u>
Net changes	<u>49,012</u>
Balance at June 30, 2020	<u><u>\$ 689,791</u></u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 15 – 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability	\$ 750,614	\$ 689,791	\$ 633,418

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-percentagepoint higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB liability	\$ 612,531	\$ 689,791	\$ 780,221

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$62,847. At June 30, 2020, 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	\$ 87,063	\$ -
Changes in assumptions or inputs	18,917	79,208
Total (prior to post MD contributions)	105,980	79,208
Contributions subsequent to the measurement date	36,741	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 142,721</u>	<u>\$ 79,208</u>

\$31,719 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 OBEP will be recognized in expense as follows:

Year ended June 30:	
2021	\$ 3,233
202	3,233
2023	3,233
2024	3,233
2025	3,233
Thereafter	10,607
Total	<u>\$ 26,772</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 15 – 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, 2020, 2019 and 2018 were \$3,154, \$29,206, and \$29,324, which equaled the required contributions each year.

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 15 – OTHER POST-EMPLOYMENT BENEFITS (continued):**

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

At June 30, 2020, the City reported an asset of \$113,871 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to June 30, 2019. 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, 2019, the City's proportion was 0.05892840 percent, which was increased from its proportion of 0.06056140 percent measured as of June 30, 2018.

For the year ended June 30, 2020, the City's recognized OPEB expense (income) of \$(14,592). At June 30, 2020, 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	\$ -	\$ 15,016
Changes of Assumptions	-	118
Net difference between projected and actual earnings on investments	-	7,029
Changes in proportionate share	918	314
Total (prior to post-MD contributions)	<u>918</u>	<u>22,477</u>
Contributions subsequent to the measurement date	3,154	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 4,072</u>	<u>\$ 22,477</u>

\$3,154 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:	
2021	\$ (11,185)
2022	(9,840)
2023	(1,258)
2024	724
Total	<u>\$ (21,559)</u>

**CITY OF HERMISTON, OREGON**

**Notes to Basic Financial Statements**

**June 30, 2020**

**NOTE 15 – 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, 2017
Measurement Date	June 30, 2019
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Long-Term Expected Rate of Return	7.20 percent
Discount Rate	7.20 percent
Projected Salary Increases	3.50 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA 1.25%/0.15% in accordance with Moro decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.  Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and setbacks as described in the valuation.  Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

**Long-term expected rate of return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 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, 2020**

**NOTE 15 – 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	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	14.0%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100.0%
			Compounded Annual Return (Geometric)
<u>Asset Class</u>		<u>Target Allocation</u>	<u>Target Return (Geometric)</u>
Core		8.00%	3.49%
Short-Term Bonds		8.00%	3.38%
Bank/Leveraged Loans		3.00%	5.09%
High Yield Bonds		1.00%	6.45%
Large/Mid Cap US Equities		15.75%	6.30%
Small Cap US Equities		1.31%	6.69%
Micro Cap US Equities		1.31%	6.80%
Developed Foreign Equities		13.13%	6.71%
Developed Foreign Equities		4.13%	7.45%
Non-US Small Cap Equities		1.87%	7.01%
Private Equity		17.50%	7.45%
Real Estate (Property)		10.00%	5.51%
Real Estate (REITS)		2.50%	6.37%
Hedge Funds of Funds - Diversified		2.50%	4.09%
Hedge Funds - Event-driven		0.63%	5.86%
Timber		1.87%	5.62%
Farmland		1.87%	6.15%
Infrastructure		3.75%	6.60%
Commodities		1.88%	3.84%
Total		100.00%	
Assumed Inflation - Mean			2.50%

**Discount rate:**

The discount rate used to measure the total OPEB asset was 7.2 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, 2020**

**NOTE 15 – 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 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Total OPEB (asset) liability	\$ (88,279)	\$ (113,871)	\$ (135,677)

**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, 2019 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, 2019 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, 2020**

**NOTE 15 – 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	\$ 689,791	\$ 142,721	\$ 79,208	\$ 62,847
Retirement Health Insurance Account (RHIA)	(113,871)	4,072	22,477	(14,592)
Aggregate amounts related to OPEB	<u>\$ 575,920</u>	<u>\$ 146,793</u>	<u>\$ 101,685</u>	<u>\$ 48,255</u>

**NOTE 16 – 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 plan 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 new 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 2019-2020 tax year was zero. Lamb Weston, a food processing plant, is in the enterprise zone, but the City's portion of the abated taxes was zero since it is outside of the City limits.

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, 2020**

**NOTE 16 – 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 17 – EXTRAORDINARY ITEM:**

City Hall was damaged in a December 2019 fire. Insurance proceeds were received of \$159,890 during the year ended June 30, 2020.

**NOTE 18 – SUBSEQUENT EVENTS:**

City Hall was damaged in a December 2019 fire. The City sold \$23.7 million of full faith and credit bonds in September 2020. The bonds will provide \$9.6 million of funding to replace City Hall. Additional funds will be used to refund \$17.2 million of Oregon Department of Environmental Quality (DEQ) debt used to construct the City's recycled water plant.

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, 2020**

	<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	\$ 5,890,000	\$ 5,890,000	\$ 5,969,584	\$ 79,584
Franchise fees	1,286,870	1,286,870	794,365	(492,505)
Licenses and fees	6,300	6,300	6,295	(5)
Charges for services	1,908,100	1,908,100	1,752,712	(155,388)
Intergovernmental	611,782	611,782	720,399	108,617
Fines and forfeitures	350,000	350,000	333,706	(16,294)
Rental income	80,000	80,000	48,798	(31,202)
Interest on investments	35,000	35,000	90,170	55,170
Miscellaneous	187,667	240,667	293,181	52,514
Total revenues	<u>10,355,719</u>	<u>10,408,719</u>	<u>10,009,210</u>	<u>(399,509)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government	2,902,310	2,963,485	2,662,765	300,720
Public safety	5,977,010	5,961,450	5,711,913	249,537
Culture and recreation	3,051,465	3,088,465	2,711,181	377,284
Capital outlay	128,900	128,900	126,763	2,137
Contingency	87,661	140,689	-	140,689
Total expenditures	<u>12,147,346</u>	<u>12,282,989</u>	<u>11,212,622</u>	<u>1,070,367</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(1,791,627)</u>	<u>(1,874,270)</u>	<u>(1,203,412)</u>	<u>670,858</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	706,950	750,883	1,352,100	601,217
Transfers out	<u>(842,219)</u>	<u>(842,219)</u>	<u>(850,618)</u>	<u>(8,399)</u>
Total other financing sources (uses)	<u>(135,269)</u>	<u>(91,336)</u>	<u>501,482</u>	<u>592,818</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	<u>(1,926,896)</u>	<u>(1,965,606)</u>	<u>(701,930)</u>	<u>1,263,676</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>1,926,896</u>	<u>1,965,606</u>	<u>3,031,180</u>	<u>1,065,574</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,329,250</u>	<u>\$ 2,329,250</u>

**CITY OF HERMISTON, OREGON**

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

**BUDGET AND ACTUAL**  
**STATE TAX STREET FUND**

**For the Fiscal Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Intergovernmental	\$ 1,489,880	\$ 1,489,880	\$ 1,253,628	\$ (236,252)
Interest on investments	-	-	7,482	7,482
Miscellaneous	-	-	985	985
Total revenues	<u>1,489,880</u>	<u>1,489,880</u>	<u>1,262,095</u>	<u>(227,785)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Highways and streets:				
Personnel services	673,780	676,100	668,935	7,165
Materials and services	840,000	933,000	861,279	71,721
Capital outlay	100,000	245,000	179,690	65,310
Contingency	470,415	75,095	-	75,095
Total expenditures	<u>2,084,195</u>	<u>1,929,195</u>	<u>1,709,904</u>	<u>219,291</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(594,315)	(439,315)	(447,809)	(8,494)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(141,550)</u>	<u>(441,550)</u>	<u>(441,550)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(735,865)</u>	<u>(880,865)</u>	<u>(889,359)</u>	<u>(8,494)</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>735,865</u>	<u>880,865</u>	<u>1,036,913</u>	<u>156,048</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,554</u>	<u>\$ 147,554</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
2019	0.07059840%	\$ 12,221,832	\$ 7,180,432	170.21%	80.20%
2018	0.06886307%	\$ 10,431,848	\$ 6,269,331	166.39%	82.07%
2017	0.07185807%	\$ 9,686,495	\$ 5,940,029	163.07%	83.12%
2016	0.07036251%	\$ 10,563,046	\$ 5,712,418	184.91%	80.50%
2015	0.08383593%	\$ 4,813,407	\$ 5,473,635	87.94%	91.90%
2014	0.07543283%	\$ (1,709,847)	\$ 5,446,273	-31.39%	103.60%
2013	0.07543283%	\$ 3,849,448	\$ 5,273,682	72.99%	91.97%

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
2020	\$ 1,684,570	\$ 1,684,570	\$ -	\$ 7,180,432	23.46%
2019	\$ 1,160,723	\$ 1,160,723	\$ -	\$ 6,755,264	17.18%
2018	\$ 1,165,176	\$ 1,165,176	\$ -	\$ 6,269,331	18.59%
2017	\$ 830,708	\$ 830,708	\$ -	\$ 5,940,029	13.98%
2016	\$ 836,292	\$ 836,292	\$ -	\$ 5,712,418	14.64%
2015	\$ 733,439	\$ 733,439	\$ -	\$ 5,473,635	13.40%
2014	\$ 764,158	\$ 764,158	\$ -	\$ 5,446,273	14.03%

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 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
2019	0.05892840%	\$ (113,871)	\$ 7,180,432	-1.59%	144.40%
2018	0.06056140%	\$ (67,603)	\$ 6,269,331	-1.08%	124.00%
2017	0.05700055%	\$ (23,789)	\$ 5,940,029	-0.40%	108.88%
2016	0.05655190%	\$ 15,357	\$ 5,712,418	0.27%	94.15%

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 employee payroll	City's contribution as a percentage of covered employee payroll
2020	\$ 3,154	\$ 3,154	\$ -	\$ 7,180,432	0.04%
2019	\$ 29,206	\$ 29,206	\$ -	\$ 6,755,264	0.43%
2018	\$ 29,324	\$ 29,324	\$ -	\$ 6,269,331	0.47%
2017	\$ 27,290	\$ 27,290	\$ -	\$ 5,940,029	0.46%
2016	\$ 27,717	\$ 27,717	\$ -	\$ 5,712,418	0.49%

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>
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)	555,936	\$ 552,592	\$ 6,269,331	8.81%
2017	\$ -	-	-	-	-	-	-	\$ 555,936	\$ 5,940,029	9.36%

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

**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 personal 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 two supplemental budgets during the year-ended June 30, 2020. 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 \$601,537 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 purchase made by the Reserve Fund totaling \$2,794,200 are reported as expenditures in the budgetary statements but as transfers for GAAP.
- The Revolving Loan Fund, Recreation Reserve Fund, and Community Center Fund are accounted for separately internally, but are combined within the General Fund for GAAP.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2020:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General Fund	Finance	\$ 3,365
General Fund	Transfers out	8,399
EOTEC Operations Fund	Personnel services	12,933

**Changes in Benefit Terms**

There were no significant changes in benefit terms in the current period related to the net pension obligation, except the discount rate was reduced to 7.2%.

The City's health insurance continuation OPEB liability calculation uses the Bond Buyer 20 Year General Obligation Bond Index for the discount rate. The discount rate in effect for the June 30, 2017 reporting date is 2.85% and the discount rate in effect for the June 30, 2018 reporting date is 3.58%.

**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, 2020**

**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.

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

- **Senior Center Construction Fund** – This fund accounts for proceeds of the grant and other resources received to construct a new Senior Center in Hermiston.
- **2017 FF&C HURA Fund** – This fund accounts for bond proceeds to be used for Urban Renewal projects.
- **2017 FF&C TPA Fund** – This fund accounts for bond proceeds used to help construct the Eastern Oregon Trade and Events Center.

**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, 2020**

	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	\$ -	\$ 2,704	\$ 296,198	\$ 27,222	\$ 131,961	\$ 19,534	\$ 500,000
Receivables (net of allowances for uncollectible):							
Property taxes	-	-	-	-	-	-	-
Intergovernmental and other	191,812	79,463	-	-	-	-	-
Total assets	<u>\$ 191,812</u>	<u>\$ 82,167</u>	<u>\$ 296,198</u>	<u>\$ 27,222</u>	<u>\$ 131,961</u>	<u>\$ 19,534</u>	<u>\$ 500,000</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>LIABILITIES:</u></b>							
Accounts payable and accrued liabilities	\$ 5,537	\$ 771	\$ 118,643	\$ -	\$ -	\$ 177	\$ -
Customer Deposits	-	-	-	-	47,555	-	-
Advances from other funds	93,325	-	-	-	-	-	-
Total liabilities	<u>98,862</u>	<u>771</u>	<u>118,643</u>	<u>-</u>	<u>47,555</u>	<u>177</u>	<u>-</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>							
Unavailable revenue	-	79,463	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>79,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES:</u></b>							
Restricted	92,950	-	-	27,222	39,719	8,797	50,000
Committed	-	1,933	177,555	-	44,687	10,560	450,000
Total fund balances	<u>92,950</u>	<u>1,933</u>	<u>177,555</u>	<u>27,222</u>	<u>84,406</u>	<u>19,357</u>	<u>500,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 191,812</u>	<u>\$ 82,167</u>	<u>\$ 296,198</u>	<u>\$ 27,222</u>	<u>\$ 131,961</u>	<u>\$ 19,534</u>	<u>\$ 500,000</u>

See auditor's report.

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

**June 30, 2020**

	Hermiston Urban Renewal Agency Fund	EOTEC Operations Fund	Senior Center Construction Fund	2017 FF&C HURA Fund	2017 FF&C TPA Fund	Bonded Debt Fund	Totals
<b><u>ASSETS:</u></b>							
Cash and investments	\$ 378,557	\$ 124,235	\$ -	\$ 24,340	\$ -	\$ 159,489	\$ 1,664,240
Receivables (net of allowances for uncollectible):							
Property taxes	8,111	-	-	-	-	16,699	24,810
Intergovernmental and other	-	129,360	-	-	-	-	400,635
Total assets	<u>\$ 386,668</u>	<u>\$ 253,595</u>	<u>\$ -</u>	<u>\$ 24,340</u>	<u>\$ -</u>	<u>\$ 176,188</u>	<u>\$ 2,089,685</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>LIABILITIES:</u></b>							
Accounts payable and accrued liabilities	\$ -	\$ 49,455	\$ -	\$ -	\$ -	\$ -	\$ 174,583
Customer Deposits	-	44,465	-	-	-	-	92,020
Advances from other funds	9,911	-	-	-	-	-	103,236
Total liabilities	<u>9,911</u>	<u>93,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,839</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>							
Unavailable revenue	6,913	91,500	-	-	-	14,210	192,086
Total deferred inflows of resources	<u>6,913</u>	<u>91,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,210</u>	<u>192,086</u>
<b><u>FUND BALANCES:</u></b>							
Restricted	369,844	68,175	-	24,340	-	161,978	843,025
Committed	-	-	-	-	-	-	684,735
Total fund balances	<u>369,844</u>	<u>68,175</u>	<u>-</u>	<u>24,340</u>	<u>-</u>	<u>161,978</u>	<u>1,527,760</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 386,668</u>	<u>\$ 253,595</u>	<u>\$ -</u>	<u>\$ 24,340</u>	<u>\$ -</u>	<u>\$ 176,188</u>	<u>\$ 2,089,685</u>

See auditor's 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, 2020**

	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	-	-	-	-	-	-	500,000
Transient room tax	811,074	-	-	-	-	-	-
Charges for services	-	-	20,603	-	-	-	-
Intergovernmental	-	-	-	-	27,223	3,478	-
Fines and forfeitures	-	-	154,756	-	-	-	-
Contributions	-	-	-	15,585	-	209	-
Interest on investments	880	-	1,348	216	959	782	-
Miscellaneous	-	-	17,866	-	-	-	-
Total revenues	811,954	-	194,573	15,801	28,182	4,469	500,000
<b><u>EXPENDITURES:</u></b>							
Current:							
General government	-	-	154,548	-	-	-	-
Public safety	-	-	-	13,217	60,124	-	-
Culture and recreation	-	-	-	-	-	1,935	-
Economic development	77,848	-	-	-	-	-	-
Debt service	146,600	-	-	-	-	-	-
Total expenditures	224,448	-	154,548	13,217	60,124	1,935	-
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	587,506	-	40,025	2,584	(31,942)	2,534	500,000
<b><u>OTHER FINANCING SOURCES (USES):</u></b>							
Transfers in	-	-	-	-	10,573	-	-
Transfers out	(761,770)	-	(88,603)	-	-	(90,000)	-
Total other financing sources (uses)	(761,770)	-	(88,603)	-	10,573	(90,000)	-
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(174,264)	-	(48,578)	2,584	(21,369)	(87,466)	500,000
<b><u>FUND BALANCES, BEGINNING</u></b>	267,214	1,933	226,133	24,638	105,775	106,823	-
<b><u>FUND BALANCES, ENDING</u></b>	\$ 92,950	\$ 1,933	\$ 177,555	\$ 27,222	\$ 84,406	\$ 19,357	\$ 500,000

See auditor's 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, 2020**

	Hermiston Urban Renewal Agency Fund	EOTEC Operations Fund	Senior Center Construction Fund	2017 FF&C HURA Fund	2017 FF&C TPA Fund	Bonded Debt Fund	Totals
<b><u>REVENUES:</u></b>							
Property taxes	\$ 190,821	\$ -	\$ -	\$ -	\$ -	\$ 306,923	\$ 497,744
Payments in lieu of taxes	-	-	-	-	-	-	500,000
Transient room tax	-	-	-	-	-	-	811,074
Charges for services	-	345,904	-	-	-	-	366,507
Intergovernmental	-	75,000	-	-	-	-	105,701
Fines and forfeitures	-	-	-	-	-	-	154,756
Contributions	-	165,000	-	-	-	-	180,794
Interest on investments	-	2,213	-	117	-	-	6,515
Miscellaneous	-	-	-	-	-	-	17,866
Total revenues	190,821	588,117	-	117	-	306,923	2,640,957
<b><u>EXPENDITURES:</u></b>							
Current:							
General government	-	-	-	-	-	-	154,548
Public safety	-	-	-	-	-	-	73,341
Culture and recreation	81,400	651,612	-	-	-	-	734,947
Economic development	-	-	-	-	-	-	77,848
Debt service	102,962	252,734	-	-	-	519,611	1,021,907
Total expenditures	184,362	904,346	-	-	-	519,611	2,062,591
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	6,459	(316,229)	-	117	-	(212,688)	578,366
<b><u>OTHER FINANCING SOURCES (USES):</u></b>							
Transfers in	-	176,519	-	-	-	203,211	390,303
Transfers out	-	-	(68,185)	-	(831)	-	(1,009,389)
Total other financing sources (uses)	-	176,519	(68,185)	-	(831)	203,211	(619,086)
<b><u>NET CHANGE IN FUND BALANCES</u></b>	6,459	(139,710)	(68,185)	117	(831)	(9,477)	(40,720)
<b><u>FUND BALANCES, BEGINNING</u></b>	363,385	207,885	68,185	24,223	831	171,455	1,568,480
<b><u>FUND BALANCES, ENDING</u></b>	\$ 369,844	\$ 68,175	\$ -	\$ 24,340	\$ -	\$ 161,978	\$ 1,527,760

See auditor's report.

## CITY OF HERMISTON, OREGON

### Combined General Fund

June 30, 2020

#### **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.

#### **Recreation Reserve**

The Recreation Reserve Fund accounts for amounts constrained for recreation activities for city residents.

#### **Community Center**

The Community Center Fund accounts for revenues and expenditures related to operation of the City's conference center.

**CITY OF HERMISTON, OREGON**

**BALANCE SHEET**  
**COMBINED GENERAL FUND**  
**June 30, 2020**

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Recreation Reserve Fund</u>	<u>Community Center Fund</u>	<u>Combined General Fund</u>
<b><u>ASSETS:</u></b>					
Cash and cash equivalents	\$ 560,091	\$ 24,553	\$ -	\$ -	\$ 584,644
Investments	1,589,703	-	-	-	1,589,703
Receivables (net of allowances for uncollectible):					
Property taxes	310,059	-	-	-	310,059
Intergovernmental	576,283	-	-	-	576,283
Advances to other funds	103,236	-	-	-	103,236
Total assets	<u>\$ 3,139,372</u>	<u>\$ 24,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163,925</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Accounts payable and accrued liabilities	\$ 468,643	\$ -	\$ -	\$ -	\$ 468,643
Deposits	5,300	-	-	-	5,300
Total liabilities	<u>473,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,943</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>					
Unavailable revenue	<u>336,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,179</u>
Total deferred inflows of resources	<u>336,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,179</u>
<b><u>FUND BALANCES:</u></b>					
Nonspendable	103,236	-	-	-	103,236
Restricted	-	-	-	-	-
Unassigned	2,226,014	24,553	-	-	2,250,567
Total fund balances	<u>2,329,250</u>	<u>24,553</u>	<u>-</u>	<u>-</u>	<u>2,353,803</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,139,372</u>	<u>\$ 24,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163,925</u>

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**COMBINED GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2020**

	General Fund	Revolving Loan Fund	Recreation Reserve Fund	Community Center Fund	Combined General Fund
<b><u>REVENUES:</u></b>					
Property taxes	\$ 5,969,584	\$ -	\$ -	\$ -	\$ 5,969,584
Franchise fees	794,365	-	-	-	794,365
Licenses and fees	6,295	-	-	-	6,295
Charges for services	1,752,712	-	-	-	1,752,712
Intergovernmental	720,399	-	-	-	720,399
Fines and forfeitures	333,706	-	-	-	333,706
Rental income	48,798	-	-	-	48,798
Interest on investments	90,170	-	-	-	90,170
Miscellaneous	293,181	-	-	-	293,181
Total revenues	<u>10,009,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,009,210</u>
<b><u>EXPENDITURES:</u></b>					
Current:					
General government	2,662,765	-	-	-	2,662,765
Public safety	5,711,913	-	-	-	5,711,913
Culture and recreation	2,711,181	-	-	-	2,711,181
Capital outlay	126,763	-	-	-	126,763
Total expenditures	<u>11,212,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,212,622</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>					
<b><u>OVER (UNDER) EXPENDITURES</u></b>					
	(1,203,412)	-	-	-	(1,203,412)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Transfers in	1,352,100	-	-	-	1,352,100
Transfers out	(850,618)	-	(28,420)	(2,373)	(881,411)
Total other financing sources (uses)	<u>501,482</u>	<u>-</u>	<u>(28,420)</u>	<u>(2,373)</u>	<u>470,689</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	(701,930)	-	(28,420)	(2,373)	(732,723)
<b><u>FUND BALANCES, BEGINNING</u></b>	<u>3,031,180</u>	<u>24,553</u>	<u>28,420</u>	<u>2,373</u>	<u>3,086,526</u>
<b><u>FUND BALANCES, ENDING</u></b>	<u>\$ 2,329,250</u>	<u>\$ 24,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,353,803</u>

**CITY OF HERMISTON, OREGON**

**Budgetary Comparison Schedules**

**June 30, 2020**

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 assets, 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, 2020**

	<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	\$ 64,165	\$ 64,165	\$ 59,247	\$ 4,918
Manager/Planning	567,280	623,050	585,982	37,068
Finance	128,170	133,575	136,940	(3,365)
Legal Counsel	141,900	141,900	119,480	22,420
Court	474,620	474,620	427,244	47,376
Transportation	420,900	420,900	267,125	153,775
Airport	303,600	303,600	272,858	30,742
Building Inspections	429,700	429,700	423,807	5,893
Parks	653,765	678,765	664,768	13,997
Parks/Utility Landscaping	55,165	55,165	44,353	10,812
Municipal Pool	549,375	561,375	417,246	144,129
Municipal Buildings	129,065	129,065	122,154	6,911
Library	871,130	871,130	806,926	64,204
Recreation	712,185	712,185	611,302	100,883
Public Safety Center	74,000	74,000	60,228	13,772
Police Operations	5,504,190	5,488,630	5,300,096	188,534
Community Center	191,010	191,010	142,653	48,357
Harkenrider Center	56,335	56,335	52,133	4,202
Non-Departmental	733,130	733,130	698,080	35,050
Transfers Out	842,219	842,219	850,618	(8,399)
Contingency	87,661	140,689	-	140,689
	<u>\$ 12,989,565</u>	<u>\$ 13,125,208</u>	<u>\$ 12,063,240</u>	<u>\$ 1,061,968</u>
Total expenditures	<u>\$ 12,989,565</u>	<u>\$ 13,125,208</u>	<u>\$ 12,063,240</u>	<u>\$ 1,061,968</u>

**Budgetary Comparison Schedules**  
**Governmental Funds**  
**June 30, 2020**

Governmental Budgetary Comparison schedules included the following:

- **Special Revenue Funds**
  - Transient Room Tax
  - Recreation Reserve
  - Municipal Court
  - Miscellaneous Special Revenue
  - Christmas Express
  - Law Enforcement
  - Library Reserve
  - Enterprise Zone Project
  - Hermiston Urban Renewal Agency
  - EOTEC Operations
  
- **Capital Project Funds**
  - Reserve
  - Senior Center Construction
  - 2017 FF&C HURA
  - 2017 FF&C TPA
  
- **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, 2020**

	<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	\$ 880,000	\$ 880,000	\$ 811,074	\$ (68,926)
Interest on investments	-	-	880	880
Total revenues	<u>880,000</u>	<u>880,000</u>	<u>811,954</u>	<u>(68,046)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Economic development:				
Materials and services	117,000	117,000	77,848	39,152
Debt service	146,600	146,600	146,600	-
Contingency	10,470	10,470	-	10,470
Total expenditures	<u>274,070</u>	<u>274,070</u>	<u>224,448</u>	<u>49,622</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	605,930	605,930	587,506	(18,424)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(819,500)</u>	<u>(819,500)</u>	<u>(761,770)</u>	<u>57,730</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(213,570)	(213,570)	(174,264)	39,306
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>213,570</u>	<u>213,570</u>	<u>267,214</u>	<u>53,644</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,950</u>	<u>\$ 92,950</u>



**CITY OF HERMISTON, OREGON**

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

**BUDGET AND ACTUAL**

**RECREATION RESERVE FUND**

**For the Fiscal Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers out	<u>(28,500)</u>	<u>(28,500)</u>	<u>(28,420)</u>	<u>80</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(28,500)</u>	<u>(28,500)</u>	<u>(28,420)</u>	<u>80</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>28,500</u>	<u>28,500</u>	<u>28,420</u>	<u>(80)</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HERMISTON, OREGON**

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

**BUDGET AND ACTUAL**

**COMMUNITY CENTER FUND**

**For the Fiscal Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers out	-	(2,373)	(2,373)	-
<b><u>NET CHANGE IN FUND BALANCES</u></b>	-	(2,373)	(2,373)	-
<b><u>FUND BALANCE, BEGINNING</u></b>	-	2,373	2,373	-
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HERMISTON, OREGON**

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

**BUDGET AND ACTUAL**  
**MUNICIPAL COURT FUND**

**For the Fiscal Year Ended June 30, 2020**

	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>EXPENDITURES</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>1,933</u>	<u>1,933</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,933</u>	<u>\$ 1,933</u>

**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, 2020**

	<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	\$ 32,000	\$ 32,000	\$ 20,603	\$ (11,397)
Fines and forfeitures	180,000	180,000	154,756	(25,244)
Interest on investments	-	-	1,348	1,348
Miscellaneous	-	-	17,866	17,866
Total revenues	<u>212,000</u>	<u>212,000</u>	<u>194,573</u>	<u>(17,427)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Materials and services	<u>211,000</u>	<u>211,000</u>	<u>154,548</u>	<u>56,452</u>
Total expenditures	<u>211,000</u>	<u>211,000</u>	<u>154,548</u>	<u>56,452</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>				
	1,000	1,000	40,025	39,025
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(95,700)</u>	<u>(95,700)</u>	<u>(88,603)</u>	<u>7,097</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	-	-	(48,578)	46,122
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>94,700</u>	<u>94,700</u>	<u>226,133</u>	<u>131,433</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,555</u>	<u>\$ 177,555</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Contributions	\$ 15,000	\$ 15,000	\$ 15,585	\$ 585
Interest on investments	-	-	216	216
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>15,801</u>	<u>801</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Materials and services	<u>35,000</u>	<u>35,000</u>	<u>13,217</u>	<u>21,783</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>13,217</u>	<u>21,783</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>	(20,000)	(20,000)	2,584	22,584
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>25,000</u>	<u>25,000</u>	<u>24,638</u>	<u>(362)</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 27,222</u>	<u>\$ 22,222</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, 2020**

	<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	\$ 26,900	\$ 41,900	\$ 27,223	\$ (14,677)
Interest on investments	-	-	959	959
Total revenues	<u>26,900</u>	<u>41,900</u>	<u>28,182</u>	<u>(13,718)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Public safety:				
Personnel services	15,000	15,000	5,000	10,000
Materials and services	20,000	56,000	55,124	876
Contingency	20,000	-	-	-
Total expenditures	<u>55,000</u>	<u>71,000</u>	<u>60,124</u>	<u>10,876</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	(28,100)	(29,100)	(31,942)	(2,842)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>10,573</u>	<u>(4,427)</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(13,100)	(14,100)	(21,369)	(7,269)
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>50,000</u>	<u>51,000</u>	<u>105,775</u>	<u>54,775</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ 36,900</u>	<u>\$ 36,900</u>	<u>\$ 84,406</u>	<u>\$ 47,506</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, 2020**

	<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	\$ 10,600	\$ 10,600	\$ 3,478	\$ (7,122)
Contributions	2,000	2,000	209	(1,791)
Interest on investments	-	-	782	782
Total revenues	<u>12,600</u>	<u>12,600</u>	<u>4,469</u>	<u>(8,131)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Materials and services	11,100	11,100	1,935	9,165
Capital outlay	1,500	1,500	-	1,500
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>22,600</u>	<u>22,600</u>	<u>1,935</u>	<u>20,665</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	(10,000)	(10,000)	2,534	12,534
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(100,000)	(100,000)	(87,466)	12,534
<b><u>FUND BALANCE, BEGINNING</u></b>				
	100,000	100,000	106,823	6,823
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,357</u>	<u>\$ 19,357</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, 2020**

	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
<b><u>EXPENDITURES</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</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, 2020**

	<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	\$ 181,655	\$ 181,655	\$ 190,821	\$ 9,166
Total revenues	<u>181,655</u>	<u>181,655</u>	<u>190,821</u>	<u>9,166</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Economic development:				
Materials and services	190,045	190,045	81,400	108,645
Debt service	<u>114,130</u>	<u>114,130</u>	<u>102,962</u>	<u>11,168</u>
Total expenditures	<u>304,175</u>	<u>304,175</u>	<u>184,362</u>	<u>119,813</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	(122,520)	(122,520)	6,459	128,979
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>400,000</u>	<u>400,000</u>	<u>363,385</u>	<u>(36,615)</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ 277,480</u>	<u>\$ 277,480</u>	<u>\$ 369,844</u>	<u>\$ 92,364</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES:</u></b>				
Charges for services	\$ 316,000	\$ 316,000	\$ 345,904	\$ 29,904
Intergovernmental	75,000	75,000	75,000	-
Contributions	171,500	171,500	165,000	(6,500)
Interest on investments	-	-	2,213	2,213
Total revenues	<u>562,500</u>	<u>562,500</u>	<u>588,117</u>	<u>25,617</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Culture and recreation:				
Personnel services	295,000	295,000	307,933	(12,933)
Materials and services	423,232	423,232	343,679	79,553
Debt service	<u>258,580</u>	<u>258,580</u>	<u>252,734</u>	<u>5,846</u>
Total expenditures	<u>976,812</u>	<u>976,812</u>	<u>904,346</u>	<u>72,466</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES</u></b>				
<b><u>OVER (UNDER) EXPENDITURES</u></b>				
	(414,312)	(414,312)	(316,229)	98,083
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfers in	<u>236,500</u>	<u>237,332</u>	<u>176,519</u>	<u>(60,813)</u>
<b><u>NET CHANGE IN FUND</u></b>				
<b><u>BALANCES</u></b>				
	(177,812)	(176,980)	(139,710)	37,270
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>177,812</u>	<u>176,980</u>	<u>207,885</u>	<u>30,905</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,175</u>	<u>\$ 68,175</u>

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SENIOR CENTER CONSTRUCTION FUND**  
**For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>REVENUES</u></b>	\$ -	\$ -	\$ -	\$ -
<b><u>EXPENDITURES</u></b>	-	-	-	-
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	-	-	-	-
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	(68,000)	(68,185)	(68,185)	-
<b><u>NET CHANGE IN FUND BALANCE</u></b>	(68,000)	(68,185)	(68,185)	-
<b><u>FUND BALANCE, BEGINNING</u></b>	68,000	68,185	68,185	-
<b><u>FUND BALANCE, ENDING</u></b>	\$ -	\$ -	\$ -	\$ -

**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, 2020**

	<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	\$ 285,000	\$ 285,000	\$ 116,800	\$ (168,200)
Contributions	-	118,000	369,303	251,303
System development charges	55,000	57,400	52,584	(4,816)
Interest on investments	-	-	132,935	132,935
Miscellaneous	56,179	56,179	58,582	2,403
Total revenues	<u>396,179</u>	<u>516,579</u>	<u>730,204</u>	<u>213,625</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
General government:				
Materials and services	1,466,343	1,466,343	555,843	910,500
Capital outlay	10,047,400	10,615,400	5,500,950	5,114,450
Contingency	677,085	677,085	-	677,085
Total expenditures	<u>12,190,828</u>	<u>12,758,828</u>	<u>6,056,793</u>	<u>6,702,035</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(11,794,649)</u>	<u>(12,242,249)</u>	<u>(5,326,589)</u>	<u>6,915,660</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Issuance of debt	4,000,000	4,000,000	2,873,681	(1,126,319)
Transfers in	2,417,300	2,717,300	2,726,359	9,059
Transfers out	(250,000)	(250,000)	(250,000)	-
Special payments	-	450,000	-	(450,000)
Total other financing sources (uses)	<u>6,167,300</u>	<u>6,917,300</u>	<u>5,350,040</u>	<u>(1,567,260)</u>
<b><u>EXTRAORDINARY ITEM:</u></b>				
Insurance recovery from fire damage	-	-	159,890	159,890
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	<u>(5,627,349)</u>	<u>(5,324,949)</u>	<u>183,341</u>	<u>5,508,290</u>
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>5,907,966</u>	<u>5,907,966</u>	<u>5,411,071</u>	<u>(496,895)</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ 280,617</u>	<u>\$ 583,017</u>	<u>\$ 5,594,412</u>	<u>\$ 5,011,395</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**

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

**BUDGET AND ACTUAL**

**2017 FF&C HURA FUND**

**For the Fiscal Year Ended June 30, 2020**

	<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>				
Interest on investments	\$ -	\$ -	\$ 117	\$ 117
Total revenues	-	-	117	117
<b><u>EXPENDITURES</u></b>	-	-	-	-
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	-	-	117	117
<b><u>FUND BALANCE, BEGINNING</u></b>	-	-	24,223	24,223
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,223</u>	<u>\$ 24,223</u>

**CITY OF HERMISTON, OREGON**

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

**BUDGET AND ACTUAL**

**2017 FF&C TPA FUND**

**For the Fiscal Year Ended June 30, 2020**

	<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>	\$ -	\$ -	\$ -	\$ -
<b><u>EXPENDITURES</u></b>	-	-	-	-
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	-	-	-	-
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	-	(832)	(831)	1
<b><u>NET CHANGE IN FUND BALANCES</u></b>	-	(832)	(831)	1
<b><u>FUND BALANCE, BEGINNING</u></b>	-	832	831	(1)
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2020**

	<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	\$ 316,400	\$ 316,400	\$ 306,923	\$ (9,477)
Total revenues	316,400	316,400	306,923	(9,477)
<b><u>EXPENDITURES:</u></b>				
Debt service	519,619	519,619	519,611	8
Total expenditures	519,619	519,619	519,611	8
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	(203,219)	(203,219)	(212,688)	(9,469)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	203,219	203,219	203,211	(8)
<b><u>NET CHANGE IN FUND BALANCE</u></b>	-	-	(9,477)	(9,477)
<b><u>FUND BALANCE, BEGINNING</u></b>	176,001	176,001	171,455	(4,546)
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ 176,001</u>	<u>\$ 176,001</u>	<u>\$ 161,978</u>	<u>\$ (14,023)</u>

**Budgetary Comparison Schedules**  
**Proprietary Funds**  
**June 30, 2020**

**Enterprise Funds**

- Energy Operations
  - Energy Services
  - 2016 FF&C Electric
  
- Utility Operations
  - Utility
  - 2017 FF&C Sewer and Water
  
- Regional Water Operations
  - Regional Water



**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
ENERGY OPERATIONS COMBINED  
For the Fiscal Year Ended June 30, 2020**

	Energy Services Fund	2016 FF&C Electric Fund	Total Energy Operations
<b><u>REVENUES:</u></b>			
Charges for services	\$ 8,581,271	\$ -	\$ 8,581,271
Interest on investments	72,267	11,510	83,777
Total revenues	<u>8,653,538</u>	<u>11,510</u>	<u>8,665,048</u>
<b><u>EXPENDITURES:</u></b>			
Current:			
Personal services	323,524	-	323,524
Materials and services	7,547,859	-	7,547,859
Capital outlay	290,527	751,012	1,041,539
Debt service	1,067,472	-	1,067,472
Total expenditures	<u>9,229,382</u>	<u>751,012</u>	<u>9,980,394</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	<u>(575,844)</u>	<u>(739,502)</u>	<u>(1,315,346)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Transfers in	700,000	-	700,000
Transfers out	(30,000)	(450,000)	(480,000)
Total other financing sources (uses)	<u>670,000</u>	<u>(450,000)</u>	<u>220,000</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	94,156	(1,189,502)	(1,095,346)
<b><u>FUND BALANCE, BEGINNING</u></b>	2,970,027	1,189,502	4,159,529
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ 3,064,183</u>	<u>\$ -</u>	<u>3,064,183</u>
<b><u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u></b>			
Prepaid items			4,035
Capital assets, net of depreciation			15,085,432
Deferred amounts on refunding			185,945
Deferred outflows - pension			131,022
Deferred outflows - OPEB			4,313
Other post employment benefits asset			3,346
Deferred inflows - pension			(23,541)
Deferred inflows - OPEB			(2,988)
Accrued interest payable			(37,373)
Net pension liability			(358,794)
Other post employment benefits liability			(20,267)
Long-term debt			(14,461,183)
<b><u>NET POSITION, ENDING</u></b>			<u>\$ 3,574,130</u>

See auditor's report.

**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, 2020**

	<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	\$ 8,863,145	\$ 8,863,145	\$ 8,581,271	\$ (281,874)
Interest on investments	25,000	25,000	72,267	47,267
Total revenues	<u>8,888,145</u>	<u>8,888,145</u>	<u>8,653,538</u>	<u>(234,607)</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Personnel services	333,245	333,245	323,524	9,721
Materials and services	7,715,873	7,715,873	7,547,859	168,014
Capital outlay	450,000	450,000	290,527	159,473
Debt service	1,067,473	1,067,473	1,067,472	1
Contingency	1,852,179	1,852,179	-	1,852,179
Total expenditures	<u>11,418,770</u>	<u>11,418,770</u>	<u>9,229,382</u>	<u>2,189,388</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>(2,530,625)</u>	<u>(2,530,625)</u>	<u>(575,844)</u>	<u>1,954,781</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	700,000	700,000	700,000	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>670,000</u>	<u>670,000</u>	<u>670,000</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(1,860,625)	(1,860,625)	94,156	1,954,781
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>1,860,625</u>	<u>1,860,625</u>	<u>2,970,027</u>	<u>1,109,402</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,064,183</u>	<u>\$ 3,064,183</u>

**CITY OF HERMISTON, OREGON**

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

**2016 FF&C ELECTRIC FUND**

**For the Fiscal Year Ended June 30, 2020**

	<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>				
Interest on investments	\$ -	\$ -	\$ 11,510	\$ 11,510
Total revenues	-	-	11,510	11,510
<b><u>EXPENDITURES:</u></b>				
Capital outlay	900,000	900,000	751,012	148,988
Total expenditures	900,000	900,000	751,012	148,988
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	(900,000)	(900,000)	(739,502)	160,498
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	(450,000)	(450,000)	(450,000)	-
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	(1,350,000)	(1,350,000)	(1,189,502)	160,498
<b><u>FUND BALANCE, BEGINNING</u></b>				
	1,350,000	1,350,000	1,189,502	(160,498)
<b><u>FUND BALANCE, ENDING</u></b>				
	\$ -	\$ -	\$ -	\$ -

**CITY OF HERMISTON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
UTILITY OPERATIONS COMBINED  
For the Fiscal Year Ended June 30, 2020**

	Utility Fund	2017 FF&C Sewer and Water Fund	Total Utility Operations
	<hr/>	<hr/>	<hr/>
<b><u>REVENUES:</u></b>			
Charges for services	\$ 9,047,112	\$ -	\$ 9,047,112
Interest on investments	7,377	-	7,377
	<hr/>	<hr/>	<hr/>
Total revenues	9,054,489	-	9,054,489
	<hr/>	<hr/>	<hr/>
<b><u>EXPENDITURES:</u></b>			
Current:			
Sewer	2,543,863	-	2,543,863
Water	1,926,131	-	1,926,131
Capital outlay	115,396	-	115,396
Debt service	2,034,200	-	2,034,200
	<hr/>	<hr/>	<hr/>
Total expenditures	6,619,590	-	6,619,590
	<hr/>	<hr/>	<hr/>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>	2,434,899	-	2,434,899
	<hr/>	<hr/>	<hr/>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>			
Transfers in	1,488	-	1,488
Transfers out	(1,292,875)	(1,488)	(1,294,363)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(1,291,387)	(1,488)	(1,292,875)
	<hr/>	<hr/>	<hr/>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	1,143,512	(1,488)	1,142,024
	<hr/>	<hr/>	<hr/>
<b><u>FUND BALANCE, BEGINNING</u></b>	1,660,542	1,488	1,662,030
	<hr/>	<hr/>	<hr/>
<b><u>FUND BALANCE, ENDING</u></b>	\$ 2,804,054	\$ -	2,804,054
	<hr/>	<hr/>	<hr/>
<b><u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u></b>			
Prepaid items			53,244
Capital assets, net of depreciation			46,101,204
Deferred outflows - pension			942,882
Deferred outflows - OPEB			31,037
Other post employment benefits asset			24,076
Deferred inflows - pension			(169,413)
Deferred inflows - OPEB			(21,500)
Accrued interest payable			(194,578)
Compensated absences			(101,635)
Net pension liability			(2,582,020)
Other post employment benefits liability			(145,847)
Long-term debt			(24,584,723)
			<hr/>
<b><u>NET POSITION, ENDING</u></b>			\$ 22,156,781
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See auditor's report.

**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, 2020**

	<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	\$ 9,283,715	\$ 9,283,715	\$ 9,047,112	\$ (236,603)
Interest on investments	3,000	3,000	7,377	4,377
Total revenues	<u>9,286,715</u>	<u>9,286,715</u>	<u>9,054,489</u>	<u>(232,226)</u>
<b><u>EXPENDITURES:</u></b>				
Sewer	2,423,825	2,576,400	2,543,863	32,537
Water	2,036,660	2,054,235	1,926,131	128,104
Capital outlay	135,000	143,995	115,396	28,599
Debt service	2,034,203	2,034,203	2,034,200	3
Contingency	2,113,982	1,894,950	-	1,894,950
Total expenditures	<u>8,743,670</u>	<u>8,703,783</u>	<u>6,619,590</u>	<u>2,084,193</u>
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	<u>543,045</u>	<u>582,932</u>	<u>2,434,899</u>	<u>1,851,967</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	-	1,488	1,488	-
Transfers out	<u>(1,251,500)</u>	<u>(1,292,875)</u>	<u>(1,292,875)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,251,500)</u>	<u>(1,291,387)</u>	<u>(1,291,387)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<u>(708,455)</u>	<u>(708,455)</u>	<u>1,143,512</u>	<u>1,851,967</u>
<b><u>FUND BALANCE, BEGINNING</u></b>	<u>708,455</u>	<u>708,455</u>	<u>1,660,542</u>	<u>952,087</u>
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,804,054</u>	<u>\$ 2,804,054</u>

**CITY OF HERMISTON, OREGON**

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

**2017 FF&C SEWER AND WATER FUND**

**For the Fiscal Year Ended June 30, 2020**

	<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>	\$ -	\$ -	\$ -	\$ -
<b><u>EXPENDITURES:</u></b>	-	-	-	-
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	-	-	-	-
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	-	(1,488)	(1,488)	-
<b><u>NET CHANGE IN FUND BALANCES</u></b>	-	(1,488)	(1,488)	-
<b><u>FUND BALANCE, BEGINNING</u></b>	-	1,488	1,488	-
<b><u>FUND BALANCE, ENDING</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020**

	<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	\$ 1,016,830	\$ 1,016,830	\$ 1,070,235	\$ 53,405
Interest on investments	-	-	3,211	3,211
Miscellaneous	-	150,000	143,193	(6,807)
Total revenues	<u>1,016,830</u>	<u>1,166,830</u>	<u>1,216,639</u>	<u>49,809</u>
<b><u>EXPENDITURES:</u></b>				
Current:				
Personnel services	230,452	230,452	216,518	13,934
Materials and services	643,110	793,110	679,451	113,659
Contingency	73,163	73,163	-	73,163
Total expenditures	<u>946,725</u>	<u>1,096,725</u>	<u>895,969</u>	<u>200,756</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	70,105	70,105	320,670	250,565
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers out	<u>(212,000)</u>	<u>(212,000)</u>	<u>(212,000)</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	<u>(141,895)</u>	<u>(141,895)</u>	<u>108,670</u>	<u>250,565</u>
<b><u>FUND BALANCE, BEGINNING</u></b>				
	<u>141,895</u>	<u>141,895</u>	<u>340,449</u>	<u>198,554</u>
<b><u>FUND BALANCE, ENDING</u></b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>449,119</u>	<u>\$ 449,119</u>
<b><u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u></b>				
Prepaid items			4,869	
Capital assets, net of depreciation			8,034,376	
Deferred outflows - pension			79,735	
Deferred outflows - OPEB			2,625	
Other post employment benefits asset			2,036	
Deferred inflows - pension			(14,326)	
Deferred inflows - OPEB			(1,818)	
Net pension liability			(218,349)	
Other post employment benefits liability			(12,334)	
<b><u>NET POSITION, ENDING</u></b>			<u>8,325,933</u>	

See auditor's report.

**STATISTICAL SECTION**



**STATISTICAL SECTION**  
**June 30, 2020**

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 comprehensive annual 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 10,134,287	\$ 10,029,017	\$ 9,715,119	\$ 9,863,841	\$ 9,442,030	\$ 12,617,100	\$ 13,373,217	\$ 31,874,245	\$ 29,794,306	\$ 27,092,653
Restricted	3,008,653	2,600,026	2,576,299	1,721,429	2,238,796	2,210,641	2,645,719	4,398,893	5,160,279	2,841,382
Unrestricted	6,863,876	7,728,375	11,030,627	12,159,756	11,780,711	11,704,803	10,234,333	433,032	(970,948)	827,867
Total governmental activities net position	20,006,816	20,357,418	23,322,045	23,745,026	23,461,537	26,532,544	26,253,269	36,706,170	33,983,637	30,761,902
Business-type activities										
Net investment in capital assets	13,755,811	16,380,313	16,894,261	13,797,360	19,175,468	21,719,929	21,734,246	24,632,313	27,809,561	30,340,724
Restricted	-	-	-	4,766,504	910,400	-	-	-	-	-
Unrestricted	7,516,778	5,967,255	5,554,338	3,881,085	4,976,113	5,698,050	3,834,883	1,858,363	2,639,292	3,716,120
Total business-type activities net position	21,272,589	22,347,568	22,448,599	22,444,949	25,061,981	27,417,979	25,569,129	26,490,676	30,448,853	34,056,844
Primary government										
Net investment in capital assets	23,890,098	26,409,330	26,609,380	23,661,201	25,998,378	31,962,821	32,983,167	54,642,174	56,004,395	57,433,377
Restricted	3,008,653	2,600,026	2,576,299	6,487,933	3,149,196	2,210,641	2,645,719	4,398,893	5,160,279	2,841,382
Unrestricted	14,380,654	13,695,630	16,584,965	16,040,841	19,375,944	19,777,061	16,193,512	4,155,779	3,267,816	4,543,987
Total primary government net position	\$ 41,279,405	\$ 42,704,986	\$ 45,770,644	\$ 46,189,975	\$ 48,523,518	\$ 53,950,523	\$ 51,822,398	\$ 63,196,846	\$ 64,432,490	\$ 64,818,746

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,119,150	\$ 2,074,334	\$ 2,380,875	\$ 2,235,974	\$ 2,228,173	\$ 3,163,574	\$ 2,871,501	\$ 3,339,591	\$ 3,417,935	\$ 3,932,518
Public safety	3,296,096	3,577,922	4,018,606	4,206,167	3,435,296	6,245,648	5,309,128	5,539,752	5,661,003	6,424,506
Highways and streets	946,193	961,303	1,011,422	1,137,768	900,581	1,333,965	1,119,273	1,405,178	2,281,464	2,118,020
Culture and recreation	2,471,410	2,546,523	2,740,214	2,574,869	3,314,985	4,850,208	2,625,972	4,590,328	4,730,222	4,833,141
Economic development	15,500	-	-	-	77,207	82,723	309,524	441,929	148,570	77,848
Interest on long-term debt	145,981	144,209	68,386	79,275	164,052	158,589	174,004	274,552	255,568	283,832
Total governmental activities expenses	8,994,330	9,304,291	10,219,503	10,234,053	10,120,294	15,834,707	12,409,402	15,591,330	16,494,762	17,669,865
Business-type activities:										
Water	2,776,865	3,021,393	2,427,322	2,958,897	2,407,687	3,640,686	3,765,539	3,962,160	4,079,548	3,802,694
Sewer	1,407,654	1,424,785	1,686,417	1,839,835	1,932,688	3,456,671	4,538,393	3,130,807	3,637,673	3,978,127
Electric Operations	6,600,863	6,852,679	7,081,396	7,484,555	7,380,813	7,663,289	7,863,889	8,061,520	8,311,917	8,455,151
Total business-type activities expenses	10,785,382	11,298,857	11,195,135	12,283,287	11,721,188	14,760,646	16,167,821	15,154,487	16,029,138	16,235,972
Total primary government expenses	\$ 19,779,712	\$ 20,603,148	\$ 21,414,638	\$ 22,517,340	\$ 21,841,482	\$ 30,595,353	\$ 28,577,223	\$ 30,745,817	\$ 32,523,900	\$ 33,905,837
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 665,312	\$ 551,825	\$ 635,560	\$ 846,514	\$ 593,195	\$ 612,955	\$ 644,829	\$ 623,338	\$ 639,535	\$ 1,339,454
Public Safety	819,888	762,125	827,126	777,567	911,960	952,067	776,501	809,235	677,931	488,462
Cultural and recreation	638,879	673,172	701,662	618,789	699,689	646,763	578,159	823,542	1,050,747	833,104
Economic development	-	-	-	-	195,851	320,511	289,107	534,812	446,697	-
Operating grants and contributions	503,157	93,004	91,517	92,624	1,160,072	1,621,506	1,723,329	1,806,494	1,975,875	2,409,179
Capital grants and contributions	199,858	376,926	401,383	673,801	3,025,502	8,620,793	835,737	4,481,709	1,386,740	896,063
Total governmental activities program revenues	2,827,094	2,457,052	2,657,248	3,009,295	6,586,269	12,774,595	4,847,662	9,079,130	6,177,525	5,966,262
Business-type activities:										
Charges for services:										
Water	2,759,962	2,767,568	2,948,154	3,065,357	3,375,433	3,631,599	3,528,905	3,938,030	4,776,913	5,406,535
Sewer	1,831,485	1,839,470	1,865,292	1,925,266	2,125,495	2,231,320	2,424,033	2,588,829	3,504,177	4,710,812
Electricity	7,331,855	7,269,150	7,184,651	7,363,082	7,397,090	8,124,700	8,582,818	8,854,864	9,105,483	8,581,271
Capital grants and contributions	-	-	-	-	185,549	1,638,740	-	1,063,494	864,223	143,193
Total business-type activities program revenues	11,923,302	11,876,188	11,998,097	12,353,705	13,083,567	15,626,359	14,535,756	16,445,217	18,250,796	18,841,811
Total primary government program revenues	\$ 14,750,396	\$ 14,333,240	\$ 14,655,345	\$ 15,363,000	\$ 19,669,836	\$ 28,400,954	\$ 19,383,418	\$ 25,524,347	\$ 24,428,321	\$ 24,808,073
Net (expense)/revenue										
Governmental activities	(6,167,236)	(6,847,239)	(7,562,255)	(7,224,758)	(3,534,025)	(3,060,112)	(7,561,740)	(6,512,200)	(10,317,237)	(11,703,603)
Business-type activities	1,137,920	577,331	802,962	70,418	1,362,379	865,713	(1,632,065)	1,290,730	2,221,658	2,605,839
Total primary government net expense	\$ (5,029,316)	\$ (6,269,908)	\$ (6,759,293)	\$ (7,154,340)	\$ (2,171,646)	\$ (2,194,399)	\$ (9,193,805)	\$ (5,221,470)	\$ (8,095,579)	\$ (9,097,764)

Continued

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

Continued

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 4,793,881	\$ 4,869,851	\$ 4,938,762	\$ 4,961,148	\$ 5,228,716	\$ 5,324,750	\$ 5,452,002	\$ 5,923,273	\$ 6,190,692	\$ 6,491,744
Franchise fee and transient room taxes	389,756	396,169	384,155	409,002	929,148	972,207	1,209,024	1,518,744	1,723,549	1,630,306
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	500,000
Public service taxes	1,620,174	1,822,732	1,897,998	2,189,440	467,937	-	-	-	-	-
Interest on investment earnings	14,570	4,109	21,485	130,246	87,699	85,479	53,797	76,779	271,816	237,102
Change in joint venture net position	-	-	845,921	(98,357)	54,909	-	-	-	-	-
Other revenues	439,541	464,493	552,843	227,062	185,408	112,643	204,440	396,412	982,393	530,504
Transfers	(28,473)	(359,513)	864,438	(34,068)	1,065,243	(404,760)	363,202	324,231	(1,573,746)	(907,788)
Total governmental activities	<u>7,229,449</u>	<u>7,197,841</u>	<u>9,505,602</u>	<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>
Business-type activities:										
Interest on investment earnings	18,027	7,079	10,648	40,595	76,640	56,851	21,418	109,788	162,773	94,364
Other revenues	196,320	131,056	151,859	217,916	141,668	118,975	-	-	-	-
Transfers	28,473	359,513	(864,438)	34,068	(1,065,243)	404,760	(363,202)	(324,231)	1,573,746	907,788
Total business-type activities	<u>242,820</u>	<u>497,648</u>	<u>(701,931)</u>	<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>
Total primary government	<u>\$ 7,472,269</u>	<u>\$ 7,695,489</u>	<u>\$ 8,803,671</u>	<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>
<b>Change in Net Position</b>										
Governmental activities	1,062,213	350,602	1,943,347	559,715	4,485,035	3,030,207	(279,275)	1,727,239	(2,722,533)	(3,221,735)
Business-type activities	1,380,740	1,074,979	101,031	362,997	515,444	1,446,299	(1,973,849)	1,076,287	3,958,177	3,607,991
Total primary government	<u>\$ 2,442,953</u>	<u>\$ 1,425,581</u>	<u>\$ 2,044,378</u>	<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>\$ 386,256</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,838	\$ 30,031	\$ 20,936	\$ 103,236
Restricted	-	-	-	-	-	-	82,415	82,415	82,415	-
Assigned	55,000	-	1,859,278	1,502,800	1,553,269	207,250	-	-	-	-
Unassigned	5,022,820	5,576,960	3,011,936	3,204,434	3,513,484	4,501,800	3,879,518	3,300,157	2,983,175	2,250,567
<b>Total general fund</b>	<b>\$ 5,077,820</b>	<b>\$ 5,576,960</b>	<b>\$ 4,871,214</b>	<b>\$ 4,707,234</b>	<b>\$ 5,066,753</b>	<b>\$ 4,709,050</b>	<b>\$ 4,102,771</b>	<b>\$ 3,412,603</b>	<b>\$ 3,086,526</b>	<b>\$ 2,353,803</b>
All other governmental funds										
Nonspendable	\$ 106,260	\$ 106,839	\$ 1,682,405	\$ 1,501,658	\$ -	\$ -	\$ 26,334	\$ -	\$ -	\$ -
Restricted	3,010,653	2,600,026	2,501,362	1,721,429	2,238,796	2,210,641	4,062,291	4,316,478	5,077,864	2,841,382
Committed	1,560,134	1,940,657	3,818,631	5,178,081	6,097,014	5,237,009	5,332,394	3,546,055	2,929,464	4,428,344
Assigned	-	-	-	-	-	-	42,051	44,725	9,136	-
Unassigned	-	-	-	-	-	-	(92,255)	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 4,677,047</b>	<b>\$ 4,647,522</b>	<b>\$ 8,002,398</b>	<b>\$ 8,401,168</b>	<b>\$ 8,335,810</b>	<b>\$ 7,447,650</b>	<b>\$ 9,370,815</b>	<b>\$ 7,907,258</b>	<b>\$ 8,016,464</b>	<b>\$ 7,269,726</b>
<b>Total all funds</b>	<b>\$ 9,754,867</b>	<b>\$ 10,224,482</b>	<b>\$ 12,873,612</b>	<b>\$ 13,108,402</b>	<b>\$ 13,402,563</b>	<b>\$ 12,156,700</b>	<b>\$ 13,473,586</b>	<b>\$ 11,319,861</b>	<b>\$ 11,102,990</b>	<b>\$ 9,623,529</b>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Taxes	\$ 4,905,754	\$ 4,956,914	\$ 5,100,417	\$ 5,167,710	\$ 5,250,162	\$ 5,307,456	\$ 5,456,324	\$ 5,926,552	\$ 6,187,004	\$ 6,467,328
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	500,000
Transient room tax	364,064	413,789	441,185	588,111	515,452	558,871	782,067	984,071	926,586	811,074
Licenses & franchise fees	395,146	401,519	388,510	413,657	413,696	413,336	421,448	534,674	748,700	800,660
Charges for services	1,420,083	1,330,900	1,441,165	1,572,120	1,654,459	1,765,558	1,566,909	1,956,274	2,368,392	2,119,219
Intergovernmental	1,135,283	1,296,845	1,334,755	1,471,670	1,638,379	1,690,476	2,811,297	5,227,069	3,160,150	2,196,528
Fines and forfeits	703,996	650,872	718,828	666,095	802,025	838,433	644,588	644,247	509,026	488,462
Investment interest	14,455	4,109	21,485	130,246	87,699	85,479	53,797	76,780	271,816	237,102
Miscellaneous	1,137,166	934,423	1,043,797	992,713	3,144,751	6,784,708	350,195	961,443	802,736	1,022,093
<b>Total revenues</b>	<b>10,075,947</b>	<b>9,989,371</b>	<b>10,490,142</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>Expenditures</b>										
General government	1,996,038	1,980,031	2,271,074	2,157,645	2,161,681	2,720,375	2,566,425	3,176,898	3,209,785	3,373,156
Public safety	3,218,578	3,467,254	3,942,358	4,140,332	4,226,920	4,446,364	4,785,629	5,006,134	5,322,712	5,785,254
Highways and streets	611,728	580,281	618,522	733,546	635,584	689,398	660,187	1,059,168	974,221	1,530,214
Economic development	15,500	-	-	-	77,207	82,723	411,483	441,929	148,571	77,848
Culture and recreation	2,166,220	2,251,610	2,370,707	2,297,946	2,115,784	2,187,217	2,202,457	3,208,489	3,471,048	3,446,128
Capital outlay	376,545	681,704	864,410	1,033,467	4,124,944	7,820,601	3,884,238	7,791,443	1,493,196	3,013,203
Debt service										
Principle	45,000	55,000	60,000	135,000	330,000	335,000	340,000	723,386	744,456	830,500
Interest	145,981	144,363	72,907	96,085	183,523	177,635	171,590	286,237	276,866	191,407
<b>Total expenditures</b>	<b>8,575,590</b>	<b>9,160,243</b>	<b>10,199,978</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>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,500,357</b>	<b>829,128</b>	<b>290,164</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>Other financing sources (uses)</b>										
Transfers in	1,530,478	1,888,583	4,022,425	2,406,591	3,284,002	2,628,310	3,248,918	5,354,989	3,205,906	4,468,762
Transfers out	(1,558,951)	(2,248,096)	(3,157,987)	(2,440,659)	(1,224,458)	(2,899,977)	(2,711,585)	(4,217,098)	(4,779,652)	(5,376,550)
Change in joint venture fund balance	-	-	1,492,582	(195,218)	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	3,595,000	-	1,431,613	2,873,681
Bond premium	-	-	-	-	-	-	119,939	-	-	-
Extraordinary item	-	-	-	-	-	-	-	-	591,706	159,890
<b>Total other financing sources (uses)</b>	<b>(28,473)</b>	<b>(359,513)</b>	<b>2,357,020</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>Net change in fund balances</b>	<b>\$ 1,471,884</b>	<b>\$ 469,615</b>	<b>\$ 2,647,184</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>
Debt service as a percentage of non-capital expenditures (debt/Other Exp) - Capital Additions)	2.33%	2.35%	1.42%	2.42%	3.82%	3.52%	3.79%	7.33%	6.90%	6.71%

**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
2011	\$ 698,940,483	\$ 35,383,520	\$ 25,742,380	\$ 760,066,383	6.60	\$ 935,114,360	81.28%
2012	721,417,475	36,852,100	24,869,020	783,138,595	6.55	933,357,294	83.91%
2013	744,573,580	36,035,810	24,568,100	805,177,490	6.44	941,918,787	85.48%
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%

Source: Umatilla County Assessment and Taxation

Note: In May, 1997 Oregon voters approved Measure 50 that revised the property tax system state-wide effective July 1, 1997. For property tax purposes, the measure changed a property's assessed valuation from real market value to a value for tax purposes. For FY 97-98, a property's assessed value for tax purposes will equal the property's market value as of July 1, 1995 less 10%. In addition, the maximum assessed value of a property was limited to a maximum of 3% growth per year.

Definition: Measure 5 value is the value used to calculate the Measure 5 limits. This value differs from Real Market Value for property that is assessed under a Special Assessment program (such as Farm and Forest property). For non-specially assessed property, Measure 5 Value is equal to Real Market Value (RMV). For specially assessed property, Measure 5 Value is the sum of the Real Market Value of the market portion of the account plus the Specially Assessed Value (SAV) of the specially.

**CITY OF HERMISTON, OREGON**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING DEBT SCHEDULE**  
**June 30, 2020**

	Fiscal Year Ended June 30, 2020									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>Direct rates:</u></b>										
City of Hermiston - general	6.02	6.02	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09
City of Hermiston - bond	0.30	0.32	0.34	0.30	0.30	0.38	0.40	0.35	0.46	0.51
Hermiston Urban Renewal District	0.20	0.19	0.43	0.43	0.43	0.43	-	-	-	-
Total direct rates	<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>	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>
<b><u>Overlapping rates:</u></b>										
Umatilla County	2.82	2.82	2.85	2.85	3.04	3.03	3.06	3.10	3.11	3.11
Hermiston School District #8	8.39	8.93	9.00	8.94	8.97	9.02	9.02	9.01	8.98	9.12
Intermountain E.S.D.	0.61	0.61	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.56
Blue Mountain Community College	0.87	0.65	0.66	0.66	0.66	0.66	0.95	0.96	0.96	0.97
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	1.73	1.73	1.75	1.75	1.20	1.20	1.20	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	-
West Umatilla Mosquito Control District	0.20	0.20	0.29	0.29	0.28	0.24	0.38	0.29	0.29	0.29
Total overlapping rates	<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>	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>
Total Rates	<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>	<u>22.03</u>	<u>22.12</u>	<u>22.09</u>

**CITY OF HERMISTON, OREGON**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**Last Ten Fiscal Years**

	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Total Taxable Assessed Value
<b>Taxpayer</b>						
Wal-Mart Stores East LP	\$ 34,111,960	1	3.22%	\$ 28,160,160	1	3.70%
Pioneer HI Bred	22,692,310	2	2.14%			0.00%
Wal-Mart/Sam's Club-BPP USO6037	12,402,450	3	1.17%			0.00%
Charter Communications	10,396,800	4	0.98%			0.00%
Wal-Mart Real Estate Business Trust	9,554,910	5	0.90%	8,725,230	4	1.10%
Teton Venture LLC & Triumph Property	9,277,600	6	0.88%			0.00%
Pioneer Hybrid International Inc.	9,241,230	7	0.87%			0.00%
CMH Manufacturing West, Inc.	7,633,810	8	0.72%	6,525,940	7	0.90%
Umatilla Electric Co-Op Assn	7,314,400	9	0.69%	6,511,580	8	0.90%
Hermiston Partners 1 LLC	7,291,550	10	0.69%			0.00%
Retail Trust #2			0.00%	9,028,210	2	1.20%
HD Development of Maryland, Inc.			0.00%	8,777,070	3	1.20%
Good Shepherd Hospital			0.00%	8,581,400	5	1.10%
Hermiston Station, LLC			0.00%	7,821,680	6	1.00%
Hermiston Foods, LLC			0.00%	5,519,740	9	0.70%
Qwest, Inc.			0.00%	5,273,000	10	0.70%
Totals	<u>\$ 129,917,020</u>		<u>12.28%</u>	<u>\$ 94,924,010</u>		<u>12.50%</u>

Source: Umatilla County Assessment and Taxation

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

<u>Tax Year Ended June 30,</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Amount</u>	<u>Percentage of Levy</u>	<u>Collections in subsequent years</u>	<u>Amount</u>	<u>Percentage of Levy</u>
2011	\$ 4,938,735	\$ 4,586,786	92.9%	\$ 351,949	\$ 4,938,735	100.0%
2012	4,997,696	4,641,447	92.9%	356,249	4,997,696	100.0%
2013	5,035,471	4,719,222	93.7%	313,013	5,032,235	99.9%
2014	5,073,454	4,760,155	93.8%	312,163	5,072,318	99.9%
2015	5,351,320	5,024,002	93.9%	325,000	5,349,002	99.9%
2016	5,454,892	5,145,592	94.3%	304,890	5,450,482	99.9%
2017	5,413,837	5,180,279	95.7%	214,392	5,394,671	99.6%
2018	6,049,818	5,685,934	94.0%	316,535	6,002,469	99.2%
2019	6,017,553	5,648,487	93.9%	287,942	5,936,429	98.7%
2020	6,658,479	6,302,549	94.7%	-	6,302,549	94.7%

**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	Revenue Bonds	Refunding Bonds	Notes Payable				
2011	\$ 3,320,000	\$ -	\$ 12,730,000	\$ 5,100,241	\$ 2,151,619	\$ 23,301,860	4.52%	\$ 1,387	16,795
2012	3,265,000	-	12,530,000	4,626,731	945,637	21,367,368	3.85%	1,267	16,865
2013	3,260,000	-	12,305,000	4,116,262	4,259,869	23,941,131	4.42%	1,409	16,995
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	22,826,656	-	18,082,872	50,322,754	N/A	2,765	18,200
2020	5,857,644	4,269,203	23,219,894	-	17,155,572	50,502,313	N/A	2,742	18,415

Note:

\* 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>
2011	\$ 3,320,000	\$ 196,114	\$ 3,123,886	0.41%	\$ 186	16,795	\$ 760,066,383
2012	3,265,000	284,623	2,980,377	0.38%	177	16,865	783,138,595
2013	3,260,000	309,609	2,950,391	0.37%	174	16,995	805,177,490
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

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	
2011	\$ 4,137,903	\$ 2,730,695	\$ 1,407,208	\$ 236,134	\$ 91,800	4.29
2012	4,194,247	3,058,460	1,135,787	248,510	77,298	3.49
2013	4,255,424	2,832,605	1,422,819	255,469	57,528	4.55
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

Fiscal Year	Electric			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2011	\$ 7,463,072	\$ 5,517,159	\$ 1,945,913	\$ 180,000	\$ 575,628	2.58
2012	7,363,608	5,771,389	1,592,219	200,000	567,508	2.07
2013	7,374,474	6,006,046	1,368,428	225,000	570,924	1.72
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	-	-	-

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)	\$ 1,369,007,522
	<u>                    x 3%</u>
General Obligation Debt Limit (2)	<u>41,070,226</u>
Gross bonded debt subject to limitation	<u>1,280,000</u>
Legal debt margin available for future indebtedness	<u><u>\$ 39,790,226</u></u>
Total net debt applicable to the limit as a percentage of debt limit	3.22%

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
2011	\$ 935,114,367	\$ 28,053,431	\$ -	\$ 28,053,431	0.00%
2012	933,357,300	28,000,719	3,230,000	24,770,719	13.04%
2013	941,918,800	28,257,564	2,975,000	25,282,564	11.77%
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%

**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, 2020**

<u>Government</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Applicable to City</u>
<u>Direct Debt</u>			
City of Hermiston	\$ 11,456,407	100.00%	\$ 11,456,407
<u>Overlapping Debt</u>			
Umatilla County	10,088,644	15.18%	1,531,456
Umatilla County School District #8 (Hermiston)	212,810,001	45.06%	95,892,186
Umatilla County School District #61 (Stanfield)	14,798,695	9.47%	1,401,436
Umatilla Morrow Radio and Data District	3,214,148	9.94%	319,486
East Umatilla RFPD	75,000	36.31%	27,233
Blue Mountain Community College	25,045,000	8.32%	2,083,744
Intermountain ESD	6,898,219	7.09%	489,084
Umatilla Rural Fire Protection District #7-405	1,615,000	32.14%	519,061
Total Overlapping Debt	<u>274,544,707</u>		<u>102,263,687</u>
Total Direct and Overlapping Debt	<u>\$ 286,001,114</u>		<u>\$ 113,720,094</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.

2019-2020 data;

RMV	\$ 1,369,007,522
Assessed Value	\$ 1,058,345,637
Estimated City Population	18,415

**Bonded Debt Ratios**

Direct Debt to RMV	0.84%
Direct and Overlapping Debt to RMV	8.31%
Per Capita RMV	\$ 74,342
Per Capita Direct Debt	\$ 622
Per Capita Direct and Overlapping Debt	\$ 6,175

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)	Umatilla Per Capita Income	Total Personal Income	Unemployment Rate Umatilla County (2)
2011	16,795	\$ 30,701	\$ 515,623,295	9.7%
2012	16,865	32,901	554,875,365	9.0%
2013	16,995	31,871	541,647,645	8.8%
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	*	*	4.3%
2020	18,415	*	*	8.6%

**Notes:**

\* - Figure was not available

**Sources:**

- (1) Portland State University Center of Population and Research
- (2) Oregon State Employment Division

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

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lamb Weston	1,320	1	10.80%	1,000	2	8.80%
Wal-Mart Distribution	1,100	2	9.00%	800	4	7.00%
Good Shepherd Healthcare	720	3	5.89%	465	7	4.10%
River Point Farms	650	4	5.32%	650	6	5.70%
Hermiston School District	519	5	4.25%	455	8	4.00%
Shearer's Foods	425	6	3.48%	N/A		N/A
Marlette Homes	410	7	3.35%	N/A		N/A
Wal-Mart Supercenter	400	8	3.27%	400	9	3.50%
Medelez Trucking	200	9	1.64%	N/A		N/A
Safeway	110	10	0.90%	N/A		N/A
	<u>5,854</u>		<u>47.88%</u>	<u>3,770</u>		<u>33.10%</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>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
General Government	5.89	7.97	8.17	9.52	9.52	10.72	10.77	11.44	11.94	20.94
Public Safety	33.00	36.00	35.10	30.50	30.50	30.50	30.50	30.50	31.00	31.00
Highways and streets	5.83	5.34	5.65	6.47	6.47	5.33	5.33	6.69	7.19	7.19
Culture and recreation	27.30	28.72	24.95	23.00	23.00	23.50	23.50	25.50	27.00	36.00
Water	9.92	10.62	10.66	10.63	10.63	10.63	10.63	11.18	11.18	11.18
Sewer	8.59	11.28	11.62	11.30	11.30	11.30	11.30	10.85	11.35	11.35
Electric	2.54	2.33	2.31	2.31	2.31	2.31	2.31	2.32	2.31	2.31
<b>Total</b>	<b>93.07</b>	<b>102.26</b>	<b>98.46</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>

**Source:** City Administration Department

**OPERATING INFORMATION**

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

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities</b>										
General Government										
Number of Senior Citizen Taxi Program										
Tickets Sold	31,108	30,234	30,706	30,306	27,095	21,336	16,066	19,133	21,299	16,664
Public Safety										
Total Police Incidents	27,085	26,149	24,114	23,878	23,237	23,193	20,587	23,916	21,149	22,334
Officer initiated	12,283	10,476	9,335	9,160	13,205	13,097	10,457	12,570	9,693	11,509
Calls for police services	14,802	15,673	14,779	14,718	10,032	10,096	10,130	11,346	11,456	10,825
Number of traffic stops	4,778	4,932	5,113	4,227	6,596	6,699	4,595	5,384	4,337	5,913
Highways and streets										
Estimated miles of streets swept	6,200	4,964	3,205	3,301	3,541	3,486	3,506	3,506	3,506	3,520
Cultural and recreation										
Number of library items checked out	86,997	84,388	83,791	82,195	80,327	67,243	68,738	92,134	74,959	51,179
Number of Library patrons	9,565	10,462	11,064	12,700	9,279	10,447	10,991	11,911	9,640	8,671
<b>Business-type activities</b>										
Water										
Number of accounts	4,702	4,746	4,796	4,823	4,912	4,921	5,000	5,125	5,215	5,301
Annual consumption (in billions of gallons)	2,140	1,444	1,473	2,679	2,638	3,261	1,784	1,448	1,339	1,173
Sewer										
Number of accounts	4,449	4,504	4,540	4,585	4,665	4,736	4,801	4,885	4,989	5,073
Electricity										
Number of accounts	5,263	5,291	5,337	5,171	5,189	5,277	5,317	5,335	5,366	5,439
KWH sold	105,641,459	107,025,599	104,989,179	110,521,490	106,427,693	105,355,391	108,323,018	107,442,249	107,121,938	102,616,467

Notes:  
Source: City Departments



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

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	12	15	13	11	10	10	11	11	10	20
Bus	-	-	-	-	-	-	-	-	-	-
Motorcycles	2	2	2	1	1	1	1	1	-	-
Highways and streets										
Streets (miles)	62	62	64	64	73	73	73	74	75	76
Culture and recreation										
Library Collections:										
Printed materials	35,578	35,714	34,716	33,361	33,457	35,229	35,476	30,930	31,548	31,430
Audio materials	1,813	1,768	1,547	1,610	1,670	1,765	1,803	1,598	1,383	1,433
Video materials	1,961	1,734	1,725	1,782	1,733	2,082	1,955	1,929	1,819	1,867
Electronic materials	3,412	3,451	3,451	3,452	3,452	32,984	68,879	72,483	76,240	93,382
<b>Business-type activities</b>										
Water										
Miles of city water line	69	69	76	76	77	77	77	77	77	78
Miles of regional water system water line	14	14	14	17	17	17	17	17	17	17
City wells	6	6	6	5	5	5	5	5	5	5
Sewer										
Storm water pump station:	*	3	3	3	3	3	3	3	3	3
Sewage pump stations	8	8	8	8	9	9	9	9	9	9
Clarifiers/sludge storage	4	4	4	4	4	5	5	5	5	5
Gravity thickeners	1	1	1	1	1	-	-	-	-	-
Electric										
Miles of overhead line	37	37	37	37	37	158	158	158	159	159
Miles of underground line	28	28	28	28	28	28	29	29	29	29
Transformers	1,381	1,397	1,359	1,415	1,435	1,834	1,472	1,893	1,907	1,914

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

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

	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Actual 2020</u>	<u>Budgeted 2021</u>
<b><u>Revenues:</u></b>					
Taxes	\$ 5,167,756	\$ 5,481,750	\$ 5,698,487	\$ 5,969,584	\$ 5,995,900
Licenses & Franchises	847,815	1,094,565	1,366,781	800,660	1,292,170
Fines & Penalties	450,653	450,006	350,087	333,706	200,000
Use of City Money	22,958	5,199	96,409	90,170	35,000
From Other Agencies	585,466	636,087	598,678	720,399	725,010
Service Charges	1,433,221	1,743,742	2,099,578	1,801,510	2,048,260
Non-Revenue Receipts	1,500	91,458	778,152	174,672	100,000
Miscellaneous Revenues	198,094	292,676	136,992	108,598	116,000
Interfund Transfers	789,814	743,274	525,578	1,352,100	1,347,680
Interfund Loan Proceeds	160,491	111,429	11,166	9,911	8,124
Cash Forward	4,709,051	4,102,771	3,388,050	3,031,180	3,271,676
Total Revenues	<u>14,366,819</u>	<u>14,752,957</u>	<u>15,049,958</u>	<u>14,392,490</u>	<u>15,139,820</u>
<b><u>Expenditures:</u></b>					
City Council	60,354	55,027	62,013	59,247	65,740
Manager/Planning	441,466	471,724	529,770	585,982	1,100,845
Finance	75,940	121,123	124,519	136,940	613,290
Legal Counsel	88,231	113,767	104,998	119,480	140,450
Court	416,905	421,910	394,084	427,244	837,190
Transportation	240,555	244,876	274,514	267,125	393,200
Airport	177,944	245,689	262,041	272,858	412,775
Building Inspections	358,449	371,201	412,347	423,807	527,770
Parks	471,883	490,600	678,054	664,768	673,500
Parks/Utility Landscaping	21,123	43,314	42,350	44,353	59,020
Municipal Pool	349,886	412,062	520,747	417,246	582,195
Municipal Buildings	16,255	90,650	117,367	122,154	119,060
Library	663,355	739,616	759,523	806,926	911,055
Recreation	531,450	688,240	698,762	611,302	742,470
Community Center	-	-	163,705	142,653	255,995
Harkenrider Center	-	-	47,028	52,133	60,520
Public Safety Center	70,629	75,784	99,389	60,228	70,000
Police Operations	4,351,520	4,655,865	4,887,986	5,300,096	5,770,585
Non-departmental	1,768,941	1,988,090	1,830,485	1,548,698	1,804,160
Interfund Loan	100,000	-	-	-	-
Unappropriated Balance	-	-	-	-	-
Total Expenditures	<u>\$ 10,204,886</u>	<u>\$ 11,229,538</u>	<u>\$ 12,009,682</u>	<u>\$ 12,063,240</u>	<u>\$ 15,139,820</u>

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

**AVERAGE NUMBER OF CUSTOMERS**

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

**LARGEST CUSTOMERS OF THE WATER SYSTEM 2020**

AVERAGE NUMBER OF CUSTOMERS			TOTAL ANNUAL CONSUMPTION (1,000 Gallons)		LARGEST CUSTOMERS OF THE WATER SYSTEM 2020						
Year	Residential	Commercial	Total	Year	Total	Customer	Industry	(1) Total Gallons	Percentage of Total Consumption	Annual Water Revenue	(2) Percent of Total Operating
2020	4,888	413	5,301	2020	1,173	Good Shepherd Medical	Medical	37,272,500	2.78%	\$ 130,826	3.40%
2019	4,801	414	5,215	2019	1,339	Village Park	Mobile Home Park	23,653,100	1.77%	374,286	9.73%
2018	4,732	393	5,125	2018	1,448	Chateaubri Mobile Home Park	Mobile Home Park	14,016,800	1.05%	48,360	1.26%
2017	4,613	387	5,000	2017	1,784	Five Star Auto Wash	Car Wash	6,729,200	0.50%	23,492	0.61%
2016	4,531	390	4,921	2016	3,261	Viewcrest Apartments	Apartments	6,500,600	0.49%	22,686	0.59%
2015	4,523	389	4,912	2015	2,638	Uma. Co. 4th Street Aspens	Apartments	6,447,600	0.48%	22,529	0.59%
2014	4,439	384	4,823	2014	2,679	Uma. Co. Foxwood Homes	Apartments	5,568,200	0.42%	19,410	0.50%
2013	4,415	381	4,796	2013	1,473	Tower Apartments	Apartments	5,531,400	0.41%	18,599	0.48%
2012	4,363	383	4,746	2012	1,444	Sundial Apartments	Apartments	5,159,700	0.39%	17,964	0.47%
2011	4,321	381	4,702	2011	2,140	Ridgeway Village	Apartments	4,933,300	0.37%	17,168	0.45%
								115,812,400	9.87%	\$ 695,320	15.14%

(1) Consumption in gallons, rounded to nearest hundred, based on 2020 water consumption. Total consumption for 2020 was 1,172,790,000.

(2) Based on 2020 audited Water System total operating revenue of \$4,591,218.

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

<b>Consumption</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>RECENT HISTORICAL WATER RATE CHANGES</b>	
First 3,000 gallons (minimum charge)	15.85	16.48	17.14	17.14	18.00	18.90	19.82	0.00	0.00	2010	9%
Each 1,000 gal over 3,000 up to and including 13,000 gal	1.20	1.25	1.30	1.30	1.37	1.43	1.50	0.00	0.00	2014	8%
Each 1,000 gallons over 13,000 gallons	1.00	1.03	1.08	1.08	1.13	1.19	1.25	0.00	0.00	2015	8%
Residential & Commercial - base rate per meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00	30.54	2017	5%
Each 1,000 gallons up to 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.51	2018	10%
Each 1,000 gallons over 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.50	3.56	2019	N/A
										2020	N/A

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 Operating Information**

**AVERAGE NUMBER OF CUSTOMERS**

**LARGEST CUSTOMERS OF THE SEWER SYSTEM 2020**

<b>Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Total</b>	<b>Customer</b>	<b>Industry</b>	<b>(1) Total Gallons</b>	<b>Percentage of Total Consumption</b>	<b>Annual Water Revenue</b>	<b>(2) Percent of Total Operating</b>
2020	4,677	396	5,073	Good Shepherd	Medical	9,805,600	3.55%	\$ 30,013	0.86%
2019	4,603	386	4,989	Village Park	Mobile Home Park	8,112,400	2.94%	73,052	2.08%
2018	4,492	393	4,885	Chateaubri Mobile Home Pk.	Mobile Home Park	7,177,500	2.60%	74,851	2.14%
2017	4,414	387	4,801	Terra Linda Estates	Mobile Home Park	6,180,000	2.24%	62,163	1.77%
2016	4,346	390	4,736	Five Star Auto Wash	Car Wash	6,053,200	2.19%	18,644	0.53%
2015	4,276	389	4,665	Hacienda West	Apartments	5,776,800	2.09%	30,941	0.88%
2014	4,201	384	4,585	Tower Apartments	Apartments	5,048,400	1.83%	62,560	1.79%
2013	4,159	381	4,540	Viewcrest Apartments	Apartments	3,892,000	1.41%	39,207	1.12%
2012	4,121	383	4,504	Southgate Village	Apartments	3,832,400	1.39%	50,850	1.45%
2011	4,068	381	4,449	Townhouse Villa	Apartments	3,803,600	1.38%	30,897	0.88%
						59,681,900	12.35%	\$ 473,178	9.86%

(1) Consumption in gallons, rounded to nearest hundred, based on 2020 water consumption. Total consumption for 2020 was 483,282,900.

(2) Based on 2020 audited Sewer System total operating revenue of \$4,800,976.

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

<b>Consumption</b>	<b>Sewer Rates Effective as of</b>										<b>RECENT HISTORICAL SEWER RATE CHANGES</b>	
	<b>01/01/14</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>Year</b>	<b>Sewer</b>
Dwelling units - monthly flat rate	20.95	21.78	22.65	23.56	23.56	24.74	25.97	27.25	0.00	0.00	2010	9%
Motel units - per-month unit charge	13.30	13.83	14.39	14.96	14.96	15.71	16.49	17.30	0.00	0.00	2014	8%
Commercial - base rate for first 5,000 gallons	22.81	23.72	24.67	25.65	25.65	26.93	28.28	29.66	0.00	0.00	2015	8%
Plus: per 1,000 gallons of water thereafter	1.15	1.20	1.25	1.30	1.30	1.37	1.43	1.50	0.00	0.00	2017	5%
Residential & Commercial - base rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.00	35.63	2018	10%
Plus: per 1,000 gallons of water thereafter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	3.05	2019	**
											2020	**

\*\* Rates are set at use of consumption, not a percentage

**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>
12/31/18	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%
12/31/12	25,464,100	30,601,900	5,137,800	83%	5,018,000	102%
12/31/11	23,240,900	31,109,100	7,868,200	75%	4,935,700	159%
12/31/10	23,879,000	30,285,000	6,405,900	79%	4,973,400	129%
12/31/09	22,872,794	28,126,358	5,253,564	81%	4,511,734	116%

Actuarial valuation for 12/31/2019 is not yet available.

**REPORT OF INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**BARNETT & MORO, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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REBECCA K. RAMOS BAUTISTA, C.P.A.  
MITCHELL L. BOYLAN, C.P.A.  
-----  
GERALD J. MORO, C.P.A. EMERITUS

**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, 2020, and have issued our report thereon dated October 30, 2020. 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.
- 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 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:   
\_\_\_\_\_  
Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
October 30, 2020



*Where Life is Sweet*



*Where Life is Sweet*