

CITY OF HERMISTON, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2019

Harkenrider Senior Center



Where Life is Sweet

Prepared by:
The City of Hermiston
Finance Department

CITY OF HERMISTON, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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INTRODUCTORY SECTION



Where Life is Sweet

City of Hermiston

Administrative Offices

180 NE 2nd Street
Hermiston, OR 97838

Phone: (541) 567-5521 - Fax: (541) 567-5530

November 15, 2019

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, 2019, 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 auditor's 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 auditor's 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 I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns a municipal airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a 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 37,000 people living within 10 miles of downtown Hermiston, and there are more than 120,000 people employed within a 30-mile radius of the city. The State of Oregon's certified 2018 population estimate for the city is 18,200.

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 a 16-bed acute psychiatric facility to be operated by Lifeways has been completed and is awaiting state licensing. 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 18,200 in 2018.

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 beginning in the next five years.

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 5,500 students, it is the largest school district in Eastern Oregon, and with 519 employees, the fifth largest employer in Hermiston. 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. Additionally, Blue Mountain Community College and Eastern Oregon University, with satellite campus facilities in Hermiston, offer advanced education opportunities.

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 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 and Moose. 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 \$200 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. Harkenrider Senior Center – In June 2018 the City completed the construction of this project. The total cost of the project was approximately \$3 million including adjacent parking lot improvements. \$2 million of the project came from an Oregon Community Development Block Grant through the Oregon Infrastructure Finance Authority. The City and the Hermiston Senior Center provided the remainder of the necessary funding.
2. 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.
3. EOTEC – The City assumed full ownership of the multi-million dollar Eastern Oregon Trade and Event Center (EOTEC) in March of 2018. The facility includes an event center that was completed in May 2016. The barns, commons and rodeo grounds were completed in July 2017. The original joint venture between Umatilla County and the City of Hermiston was dissolved to improve operations and management and maximize the use of the facility. Funding came from various sources including state grants and local revenue. The most remarkable achievement was the \$2 million in contributions from local businesses and individuals.
4. Traffic Control at 11th & Elm – In 2018 the City completed a traffic signal project funded in part by an Immediate Opportunity Fund (IOF) grant from the State of Oregon Department of Transportation (ODOT). The project installed a traffic signal at the intersection of Elm Avenue and NW 11th as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11th. The project also installed a bike/pedestrian crossing with flashing beacon at GSMC's NW 11th entrance. The funding was awarded based on the creation of at least 58 new FTEs which was met in 2016 by GSMC. The total project cost was \$1.62 million of which the state funded 50%. The project provides enhanced accessibility and safety for vehicles and pedestrians in the area.
5. The West Highland Trail project created a bike lane and/or separated trail on the south side of West Highland Avenue between SW 11th and Riverfront Park. It also provided a path under the Umatilla River Bridge on Highland into Riverfront Park. This project was substantially completed in 2018 and was funded by a grant from ODOT with City matching funds.

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 idle cash is invested primarily in U.S. Treasury securities and the Oregon State Local Government Investment Pool.

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.

Effective July 1, 2010, the City began, in lieu of a pay increase, to pay what would otherwise be the employee's 6% contribution to the Oregon Public Employees Retirement System.

AWARDS

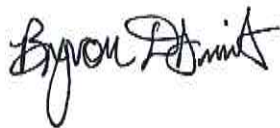
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hermiston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the twenty-ninth consecutive 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, 2018

Christopher P. Morrill

Executive Director/CEO

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2019

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
Doug Smith	December 31, 2022
Manuel Gutierrez	December 31, 2020
Rod S. Hardin	December 31, 2020
John Kirwan	December 31, 2020
Doug Primmer	December 31, 2020
Municipal Judge:	
Thomas J. Creasing	December 31, 2018

APPOINTED OFFICIALS

City Manager:	Byron Smith
Assistant City Manager:	Mark Morgan
Finance Director:	Mark Krawczyk
City Recorder:	Lilly 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

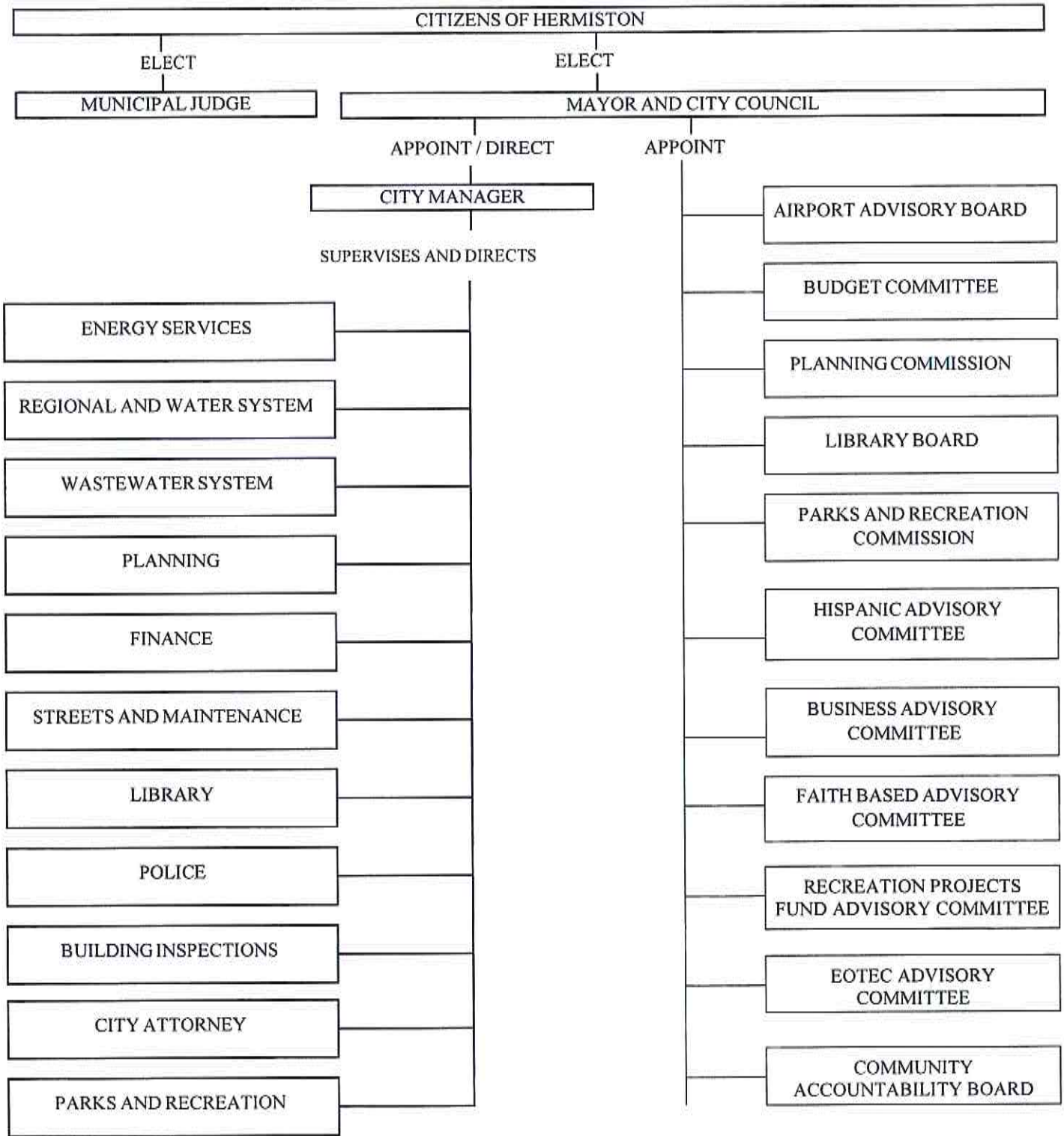
OFFICIAL ADDRESS

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Hermiston, OR 97838
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Fax: 541-567-5530

CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2019



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Pages 1 to 3

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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 \$130.9 million at June 30, 2019 consisting of approximately \$16.2 million in cash and investments, \$105 million in capital assets and \$9.7 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$1.5 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$66.4 million at June 30, 2019, consisting of \$58.8 million in non-current liabilities, \$6.4 million in current liabilities, and \$1.3 million in deferred inflows of resources. Total liabilities and deferred inflows of resources decreased by \$0.3 million from the previous fiscal year.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2019 by \$64.4 million (*net position*). Of this amount \$3.3 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 approximately \$56 million net investment in capital assets, and \$5.2 million restricted for specific purposes.
- For its governmental activities the City generated \$2.8 million in Charges for Services and \$3.4 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$16.5 million for the year resulting in a net expense of \$10.3 million. After an additional \$8.6 million in general revenues, \$0.6 million in extraordinary items, and \$1.6 million in transfers out, governmental activities resulted in a \$2.7 million decrease in net position.
- For its business-type activities the City generated \$17.4 million in Charges for Services and \$0.9 million in Capital Grants and Contributions to fund direct expenses of \$16 million resulting in a net revenue of \$2.3 million. After other general revenues and transfers in of \$1.6 million, net position from business-type activities increased by \$4 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.

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

**CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

balance.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

Net Position at Year-End
(in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Assets:						
Cash and investments	\$ 10,834	\$ 12,001	\$ 5,321	\$ 7,048	\$ 16,155	\$ 19,049
Other assets	2,730	1,728	2,321	1,733	5,051	3,461
Capital assets	37,608	38,758	67,344	63,934	104,952	102,692
Total assets	<u>51,172</u>	<u>52,487</u>	<u>74,986</u>	<u>72,715</u>	<u>126,158</u>	<u>125,202</u>
Deferred outflows:	<u>3,329</u>	<u>2,910</u>	<u>1,391</u>	<u>1,224</u>	<u>4,720</u>	<u>4,134</u>
Liabilities:						
Current liabilities	2,806	2,569	3,582	3,677	6,388	6,246
Noncurrent liabilities	16,788	15,611	42,011	43,591	58,799	59,202
Total liabilities	<u>19,594</u>	<u>18,180</u>	<u>45,593</u>	<u>47,268</u>	<u>65,187</u>	<u>65,448</u>
Deferred inflows:	<u>923</u>	<u>511</u>	<u>335</u>	<u>180</u>	<u>1,258</u>	<u>691</u>
Net Position:						
Net investment in capital assets	29,794	31,874	27,810	24,632	56,004	54,642
Restricted	5,160	4,399	-	-	5,160	4,399
Unrestricted	<u>-970</u>	<u>433</u>	<u>2,639</u>	<u>1,859</u>	<u>3,269</u>	<u>4,156</u>
Total 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>

Over half of the City's net position (88% percent) 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

**CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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, \$1.6 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.

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)					
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for service	\$ 2,815	\$ 2,791	\$ 17,387	\$ 15,382	\$ 20,202	\$ 18,173
Operating grants and contributions	1,976	1,806	-	-	1,976	1,806
Capital grants and contributions	1,387	4,482	864	1,064	2,251	5,546
General Revenues						
Taxes	7,914	7,442	-	-	7,914	7,442
Interest	272	77	163	110	435	187
Other	391	396	-	-	391	396
Total Revenues	14,755	16,994	18,414	16,556	33,169	33,550
Expenses						
General government	3,418	3,340	-	-	3,418	3,340
Public safety	5,661	5,540	-	-	5,661	5,540
Highways and streets	2,281	1,405	-	-	2,281	1,405
Cultural and recreation	4,730	4,590	-	-	4,730	4,590
Interest on long-term debt	256	274	-	-	256	274
Economic development	149	442	-	-	149	442
Water	-	-	4,080	3,962	4,080	3,962
Sewer	-	-	3,638	3,131	3,638	3,131
Electricity	-	-	8,312	8,062	8,312	8,062
Total Expenses	16,495	15,591	16,030	15,155	32,525	30,746
Change in net position before	(1,740)	1,403	2,384	1,401	644	2,804
Extraordinary item	592	-	-	-	592	-
Transfers	(1,574)	324	1,574	(324)	-	-
Change in net position	(2,722)	1,727	3,958	1,077	1,236	2,804
Net position - beginning	36,706	26,253	26,491	25,569	63,197	51,822
Prior period adjustment	-	8,726	-	(155)	-	8,571
Beginning net position, restated	36,706	34,979	26,491	25,414	63,197	60,393
Net position - ending	\$ 33,984	\$ 36,706	\$ 30,449	\$ 26,491	\$ 64,433	\$ 63,197

Governmental Activities. Net position for governmental activities decreased \$2.7 million resulting from \$14.8 million in total revenues offset by \$16.5 million in expenses, \$0.6 million in extraordinary items, and \$1.6 million in transfers out. Total revenues decreased \$2.2 million, the bulk of which was due to an decrease of \$3.1 million in capital grants and contributions.

Governmental expenses increased \$0.9 million in 2018-19 compared to 2017-18, which was mainly due to a large increase in Highway and Streets expenses.

Business-type activities. Net position for business activities increased \$4 million during the current fiscal year. Charges for Services revenues increased for Water, Sewer, and Electricity due to rates and usage. Capital Grants and Contributions decreased \$0.2 million.

Electricity expenses were up \$250,000 mainly due to increased costs for purchasing power and higher payments in lieu of taxes resulting from the increased revenues. Water expenses increased \$118,000 mainly due to inflation, and Sewer expenses increased \$507,000.

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, 2019, the City's governmental funds reported a combined ending fund balance of \$11.1 million compared to prior year's balance of \$11.3 million. The City had a decrease in fund balance of \$0.2 million. Unassigned fund balance as of June 30, 2019, was \$3 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, 2019, the total fund balance was \$3.1 million, of which \$3 million is considered unassigned, reflecting a decrease in unassigned fund balance of approximately \$317,000 from the prior year. Expenditures in the general fund increased \$816,000 from the prior year, which was mainly due to and increase in materials and services and payroll costs related to inflation and increased PERS rates. Revenues increased about \$641,000, which was mainly due to an increase in property tax revenues, franchise fees, and other charges for services. Total fund balance decreased \$326,000 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 increased by \$403,000 primarily due to increased intergovernmental revenue and a reduction in capital outlay. The Reserve Fund decreased its fund balance by \$160,000 due to a decrease in intergovernmental revenues and interest on investments.

**CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

General Fund Budgetary Highlights

The City adopted one supplemental budget, which affected the General Fund, increasing appropriations by \$213,845. The largest part of the change was to increase pool expenditures by \$111,100 and increase recreation expenditures by \$52,500, which was partially offset by a reduction in contingency of \$121,175.

General Fund revenues were over budgeted expectations by \$885,000, which was mainly due to property taxes, franchise fees and charges for services. Actual expenditures of the General Fund were \$1.9 million less than budgeted. The majority of this difference was in contingency.

Capital Assets

The City had \$105 million in capital assets net of depreciation at June 30, 2019 allocated as follows:

Net Capital Assets
(in thousands)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2019	2018	2019	2018	2019	2018
Land and easements	\$ 3,463	\$ 3,463	\$ 1,080	\$ 1,080	\$ 4,543	\$ 4,543
Construction in progress	523	4,243	1,945	1,549	2,468	5,792
Buildings and systems	27,344	24,953	63,456	60,653	90,800	85,606
Machinery, equipment	1,355	1,056	863	652	2,218	1,708
Street system	4,923	5,043	-	-	4,923	5,043
Total capital assets	\$ 37,608	\$38,758	\$ 67,344	\$ 63,934	\$ 104,952	\$ 102,692

Additional information on capital assets can be found in Note 3 to the financial statements.

Debt Administration

At year end, the City had \$50.8 million in long term debt outstanding compared to \$51.9 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 issued \$1.2 million note payable to Oregon Business Development and entered into two leases for a sweeper and chipper for \$192,000 and \$41,000, respectively. Additional information on debt administration can be found in Note 5 to the Financial Statements.

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 service provision fees. 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%.

The City's overall budget for 2019-20 is \$55.3 million, which is a increase of \$0.4 million from the prior year. The budget includes a 3% cost of living adjustment for all City employees. The FY19-20 budget includes a 2.75% cost of living adjustment for all City employees and an estimated 25% increase in PERS expenses. 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 \$0.5 million compared to \$1.3 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 2019-20 budget also includes a separate allocation for contingency of \$5.3 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, 180 N.E. Second Street, Hermiston, OR 97838.

BASIC FINANCIAL STATEMENTS

CITY OF HERMISTON, OREGON
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,880,418	\$ 2,674,723	\$ 9,555,141
Investments	3,849,589	1,249,199	5,098,788
Restricted cash and cash equivalents	103,863	208,296	312,159
Receivables:			
Property taxes	335,863	-	335,863
Accounts, net	2,128,921	2,242,346	4,371,267
Prepaid items	195,574	60,710	256,284
Inventories	19,833	-	19,833
Total current assets	<u>13,514,061</u>	<u>6,435,274</u>	<u>19,949,335</u>
Noncurrent assets:			
Other post employment benefits asset	49,665	17,938	67,603
Restricted cash and cash equivalents	-	1,189,502	1,189,502
Capital assets:			
Nondepreciable	3,986,403	3,024,303	7,010,706
Depreciable, net	<u>33,621,657</u>	<u>64,319,339</u>	<u>97,940,996</u>
Total noncurrent assets	<u>37,657,725</u>	<u>68,551,082</u>	<u>106,208,807</u>
Total assets	<u>51,171,786</u>	<u>74,986,356</u>	<u>126,158,142</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	3,213,631	1,160,669	4,374,300
Deferred outflows related to OPEB	115,444	44,055	159,499
Deferred amounts on refunding	-	185,945	185,945
Total deferred outflows of resources	<u>3,329,075</u>	<u>1,390,669</u>	<u>4,719,744</u>
Total assets and deferred outflows of resources	<u>\$ 54,500,861</u>	<u>\$ 76,377,025</u>	<u>\$ 130,877,886</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,402,080	\$ 982,607	\$ 2,384,687
Retainage payable	79,930	36,580	116,510
Accrued interest payable	72,908	241,626	314,534
Deposits	103,863	208,296	312,159
Unearned revenue	-	174,573	174,573
Current portion of long-term liabilities	<u>1,147,206</u>	<u>1,938,335</u>	<u>3,085,541</u>
Total current liabilities	<u>2,805,987</u>	<u>3,582,017</u>	<u>6,388,004</u>
Noncurrent liabilities:			
Other post employment benefits liability	462,220	178,559	640,779
Net pension liability	7,663,879	2,767,968	10,431,847
Noncurrent portion of long-term liabilities	<u>8,661,978</u>	<u>39,064,584</u>	<u>47,726,562</u>
Total noncurrent liabilities	<u>16,788,077</u>	<u>42,011,111</u>	<u>58,799,188</u>
Total liabilities	<u>19,594,064</u>	<u>45,593,128</u>	<u>65,187,192</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	844,418	304,979	1,149,397
Deferred inflows related to OPEB	<u>78,742</u>	<u>30,065</u>	<u>108,807</u>
Total deferred inflows of resources	<u>923,160</u>	<u>335,044</u>	<u>1,258,204</u>
NET POSITION			
Net investment in capital assets	29,794,306	27,809,561	56,004,395
Restricted for:			
Debt service	171,455	-	171,455
Culture and recreation	1,565,421	-	1,565,421
Highways and streets	1,733,287	-	1,733,287
Public safety	59,357	-	59,357
Economic development	807,861	-	807,861
System development	822,898	-	822,898
Unrestricted	<u>(970,948)</u>	<u>2,639,292</u>	<u>3,267,816</u>
Total net position	<u>33,983,637</u>	<u>30,448,853</u>	<u>64,432,490</u>
Total liabilities, deferred inflows, and net position	<u>\$ 54,500,861</u>	<u>\$ 76,377,025</u>	<u>\$ 130,877,886</u>

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

CITY OF HERMISTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

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	\$ 3,417,935	\$ 639,535	\$ 575,671	\$ 621,686	\$ (1,581,043)	\$ -	\$ (1,581,043)
Public safety	5,661,003	677,931	45,751	-	(4,937,321)	-	(4,937,321)
Highways and streets	2,281,464	-	1,326,671	199,959	(754,834)	-	(754,834)
Culture and recreation	4,730,222	1,050,747	27,782	559,424	(3,092,269)	-	(3,092,269)
Economic development	148,570	446,697	-	5,671	303,798	-	303,798
Interest on long-term obligations	255,568	-	-	-	(255,568)	-	(255,568)
Total governmental activities	16,494,762	2,814,910	1,975,875	1,386,740	(10,317,237)	-	(10,317,237)
Business-type activities:							
Water	4,079,548	4,776,913	-	864,223	-	1,561,588	1,561,588
Sewer	3,637,673	3,504,177	-	-	-	(133,496)	(133,496)
Electricity	8,311,917	9,105,483	-	-	-	793,566	793,566
Total business-type activities	16,029,138	17,386,573	-	864,223	-	2,221,658	2,221,658
Total primary government	\$32,523,900	\$20,201,483	\$1,975,875	\$2,250,963	(10,317,237)	2,221,658	(8,095,579)
General revenues:							
Property taxes levied for:							
General purposes					5,875,026	-	5,875,026
Debt service					315,666	-	315,666
Franchise and transient room taxes					1,723,549	-	1,723,549
Interest and investment earnings					271,816	162,773	434,589
Miscellaneous					390,687	-	390,687
Transfers					(1,573,746)	1,573,746	-
Extraordinary item:							
Impairment gain from fire damage					591,706	-	591,706
Total general revenues, transfers, and extraordinary item					7,594,704	1,736,519	9,331,223
Change in net position					(2,722,533)	3,958,177	1,235,644
Net Position, beginning					36,706,170	26,490,676	63,196,846
Net Position, ending					\$ 33,983,637	\$ 30,448,853	\$ 64,432,490

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

FUND FINANCIAL STATEMENTS

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, 2019

	Combined General Fund	Street Tax Fund	Reserve Fund	Other Governmental Funds	Totals
ASSETS					
Cash and cash equivalents	\$ 904,860	\$ 950,608	\$ 3,564,761	\$ 1,564,052	\$ 6,984,281
Investments	1,536,817	-	2,312,772	-	3,849,589
Receivables:					
Property taxes	311,087	-	-	24,776	335,863
Accounts, net	1,014,654	120,200	356,469	637,598	2,128,921
Advances to other funds	20,936	-	-	-	20,936
Prepaid items	-	-	-	2,703	2,703
Total assets	<u>\$ 3,788,354</u>	<u>\$ 1,070,808</u>	<u>\$ 6,234,002</u>	<u>\$ 2,229,129</u>	<u>\$ 13,322,293</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 400,336	\$ 33,895	\$ 712,211	\$ 255,638	\$ 1,402,080
Deposits	12,750	-	-	91,113	103,863
Retainage payable	-	-	79,930	-	79,930
Advances from other funds	-	-	-	20,936	20,936
Total liabilities	<u>413,086</u>	<u>33,895</u>	<u>792,141</u>	<u>367,687</u>	<u>1,606,809</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>288,742</u>	-	<u>30,790</u>	<u>292,962</u>	<u>612,494</u>
Total deferred inflows of resources	<u>288,742</u>	<u>-</u>	<u>30,790</u>	<u>292,962</u>	<u>612,494</u>
FUND BALANCES (DEFICIT)					
Nonspendable	20,936	-	-	-	20,936
Restricted	82,415	1,036,913	2,938,586	1,102,365	5,160,279
Committed	-	-	2,472,485	456,979	2,929,464
Assigned	-	-	-	9,136	9,136
Unassigned	<u>2,983,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,983,175</u>
Total fund balances	<u>3,086,526</u>	<u>1,036,913</u>	<u>5,411,071</u>	<u>1,568,480</u>	<u>11,102,990</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,788,354</u>	<u>\$ 1,070,808</u>	<u>\$ 6,234,002</u>	<u>\$ 2,229,129</u>	<u>\$ 13,322,293</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, 2019

Fund balances - total governmental funds	\$ 11,102,990
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	37,608,060
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.	(5,294,666)
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.	(375,853)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	612,494
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(395,958)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(72,908)
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.	(9,413,226)
Prepaid insurance uses current financial resources and, therefore, is not reported in the funds.	192,871
Inventory uses current financial resources and, therefore, is not reported in the funds.	<u>19,833</u>
Net position of governmental activities	<u>\$ 33,983,637</u>

CITY OF HERMISTON, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Combined General Fund	Street Tax Fund	Reserve Fund	Other Governmental Funds	Totals
REVENUES					
Property taxes	\$ 5,698,487	\$ -	\$ -	\$ 488,517	\$ 6,187,004
Transient room taxes	-	-	-	926,586	926,586
Franchise fees	742,655	-	-	-	742,655
Licenses and fees	6,045	-	-	-	6,045
Charges for services	2,032,797	-	-	335,595	2,368,392
Intergovernmental	598,678	1,526,630	763,196	271,646	3,160,150
Fines and forfeitures	350,087	-	-	158,939	509,026
System development charges	-	-	115,267	-	115,267
Rental income	66,782	-	-	2,185	68,967
Contributions	-	-	7,960	210,293	218,253
Interest on investments	98,479	13,116	148,212	12,009	271,816
Miscellaneous	282,837	7,850	100,000	9,562	400,249
TOTAL REVENUES	<u>9,876,847</u>	<u>1,547,596</u>	<u>1,134,635</u>	<u>2,415,332</u>	<u>14,974,410</u>
EXPENDITURES					
Current:					
General government	2,584,238	-	465,803	159,744	3,209,785
Public safety	5,277,374	-	-	45,338	5,322,712
Culture and recreation	2,760,125	-	48,597	662,326	3,471,048
Economic development	-	-	-	148,571	148,571
Highways and streets	-	974,221	-	-	974,221
Capital outlay	273,196	340	1,197,236	22,424	1,493,196
Debt service	-	-	-	1,021,322	1,021,322
TOTAL EXPENDITURES	<u>10,894,933</u>	<u>974,561</u>	<u>1,711,636</u>	<u>2,059,725</u>	<u>15,640,855</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,018,086)</u>	<u>573,035</u>	<u>(577,001)</u>	<u>355,607</u>	<u>(666,445)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	40,600	-	1,391,013	-	1,431,613
Transfers in	1,098,659	-	1,622,483	439,764	3,160,906
Transfers out	(1,114,749)	(170,214)	(2,596,007)	(853,682)	(4,734,652)
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,510</u>	<u>(170,214)</u>	<u>417,489</u>	<u>(413,918)</u>	<u>(142,133)</u>
EXTRAORDINARY ITEM					
Insurance recovery from fire damage	591,706	-	-	-	591,706
TOTAL EXTRAORDINARY ITEM	<u>591,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591,706</u>
NET CHANGE IN FUND BALANCE	(401,870)	402,821	(159,512)	(58,311)	(216,872)
FUND BALANCE, Beginning	<u>3,488,396</u>	<u>634,092</u>	<u>5,570,583</u>	<u>1,626,791</u>	<u>11,319,862</u>
FUND BALANCE, Ending	<u>\$ 3,086,526</u>	<u>\$ 1,036,913</u>	<u>\$ 5,411,071</u>	<u>\$ 1,568,480</u>	<u>\$ 11,102,990</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, 2019

Net change in fund balance - governmental funds	\$	(216,872)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Unavailable revenues		(233,938)
<p>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.</p>		
		766,706
<p>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.</p>		
		(1,431,613)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:</p>		
Change in inventory		(21,211)
Change in prepaid insurance		96,444
Change in compensated absences		(14,204)
Change in accrued interest payable		(952)
Change in pension liability and related deferred outflows and inflows		(529,727)
Change in OPEB liability and related deferred outflows and inflows		12,953
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:</p>		
Capital asset additions	\$ 837,696	
Depreciation expense	<u>(1,987,815)</u>	
		<u>(1,150,119)</u>
Change in net position - governmental activities	\$	<u>(2,722,533)</u>

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

FUND FINANCIAL STATEMENTS

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, 2019

	Business - type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,668,913	\$ 672,040	\$ 333,770	\$ 2,674,723
Investments	1,214,991	34,208	-	1,249,199
Restricted cash and cash equivalents	192,096	16,200	-	208,296
Receivables:				
Accounts, net	612,299	1,400,699	229,348	2,242,346
Prepaid items	3,673	52,420	4,617	60,710
Total current assets	<u>3,691,972</u>	<u>2,175,567</u>	<u>567,735</u>	<u>6,435,274</u>
Noncurrent assets:				
Other post employment benefits asset	1,743	14,758	1,437	17,938
Restricted cash and cash equivalents	1,189,502	-	-	1,189,502
Capital assets, net	14,750,757	44,527,326	8,065,559	67,343,642
Total noncurrent assets	<u>15,942,002</u>	<u>44,542,084</u>	<u>8,066,996</u>	<u>68,551,082</u>
Total assets	<u>19,633,974</u>	<u>46,717,651</u>	<u>8,634,731</u>	<u>74,986,356</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	112,808	954,907	92,954	1,160,669
Deferred outflows related to OPEB	3,118	38,077	2,860	44,055
Deferred amounts on refunding	185,945	-	-	185,945
Total deferred outflows of resources	<u>301,871</u>	<u>992,984</u>	<u>95,814</u>	<u>1,390,669</u>
Total assets and deferred outflows of resources	<u>\$ 19,935,845</u>	<u>\$ 47,710,635</u>	<u>\$ 8,730,545</u>	<u>\$ 76,377,025</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 526,176	\$ 270,341	\$ 186,090	\$ 982,607
Retainage payable	-	-	36,580	36,580
Accrued interest payable	37,706	203,920	-	241,626
Deposits	192,096	16,200	-	208,296
Unearned revenue	-	174,573	-	174,573
Current portion of long-term liabilities	660,495	1,277,840	-	1,938,335
Total current liabilities	<u>1,416,473</u>	<u>1,942,874</u>	<u>222,670</u>	<u>3,582,017</u>
Noncurrent liabilities:				
Other post employment benefits liability	11,631	155,912	11,016	178,559
Net pension liability	269,024	2,277,267	221,677	2,767,968
Noncurrent portion of long-term liabilities	14,461,183	24,603,401	-	39,064,584
Total liabilities	<u>16,158,311</u>	<u>28,979,454</u>	<u>455,363</u>	<u>45,593,128</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	29,641	250,913	24,425	304,979
Deferred inflows related to OPEB	2,122	25,995	1,948	30,065
Total deferred inflows	<u>31,763</u>	<u>276,908</u>	<u>26,373</u>	<u>335,044</u>
NET POSITION				
Net investment in capital assets	1,004,526	18,739,476	8,065,559	27,809,561
Unrestricted	2,741,245	(285,203)	183,250	2,639,292
Total net position	<u>3,745,771</u>	<u>18,454,273</u>	<u>8,248,809</u>	<u>30,448,853</u>
Total liabilities, deferred inflows, and net position	<u>\$ 19,935,845</u>	<u>\$ 47,710,635</u>	<u>\$ 8,730,545</u>	<u>\$ 76,377,025</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, 2019**

	Business - type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
OPERATING REVENUES				
Charges for services - electricity	\$ 9,105,483	\$ -	\$ -	\$ 9,105,483
Charges for services - sewer	-	3,504,177	-	3,504,177
Charges for services - water	-	3,845,720	931,193	4,776,913
TOTAL OPERATING REVENUES	<u>9,105,483</u>	<u>7,349,897</u>	<u>931,193</u>	<u>17,386,573</u>
OPERATING EXPENSES				
Electricity	7,208,292	-	-	7,208,292
Sewer	-	2,408,375	-	2,408,375
Water	-	2,002,654	954,357	2,957,011
Depreciation	670,361	1,248,121	244,127	2,162,609
TOTAL OPERATING EXPENSES	<u>7,878,653</u>	<u>5,659,150</u>	<u>1,198,484</u>	<u>14,736,287</u>
OPERATING INCOME (LOSS)	<u>1,226,830</u>	<u>1,690,747</u>	<u>(267,291)</u>	<u>2,650,286</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	134,224	23,422	5,127	162,773
Interest expense	(433,264)	(859,587)	-	(1,292,851)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(299,040)</u>	<u>(836,165)</u>	<u>5,127</u>	<u>(1,130,078)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	927,790	854,582	(262,164)	1,520,208
CAPITAL CONTRIBUTIONS				
System development charges	-	-	864,223	864,223
TRANSFERS				
Transfers in	-	2,570,834	25,173	2,596,007
Transfers out	(618,081)	(348,000)	(56,180)	(1,022,261)
CHANGE IN NET POSITION	<u>309,709</u>	<u>3,077,416</u>	<u>571,052</u>	<u>3,958,177</u>
NET POSITION, Beginning	<u>3,436,062</u>	<u>15,376,857</u>	<u>7,677,757</u>	<u>26,490,676</u>
NET POSITION, Ending	<u>\$ 3,745,771</u>	<u>\$ 18,454,273</u>	<u>\$ 8,248,809</u>	<u>\$ 30,448,853</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, 2019

	Business-type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 9,099,041	\$ 6,852,853	\$ 911,068	\$ 16,862,962
Payments to suppliers and others	(6,905,924)	(1,828,119)	(739,721)	(9,473,764)
Payments to employees and others for salaries/benefits	(296,483)	(2,405,082)	(208,731)	(2,910,296)
Net cash provided from (used by) operating activities	<u>1,896,634</u>	<u>2,619,652</u>	<u>(37,384)</u>	<u>4,478,902</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	2,570,834	25,173	2,596,007
Transfers out	(618,081)	(348,000)	(56,180)	(1,022,261)
Net cash provided from (used by) non-capital financing activities	<u>(618,081)</u>	<u>2,222,834</u>	<u>(31,007)</u>	<u>1,573,746</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	-	-	864,223	864,223
Acquisition of capital assets	(1,042,776)	(3,963,556)	(691,621)	(5,697,953)
Principal paid on long-term obligations	(605,000)	(1,152,701)	-	(1,757,701)
Interest paid on long-term obligations	(465,545)	(884,929)	-	(1,350,474)
Net cash provided from (used by) capital and related financing activities	<u>(2,113,321)</u>	<u>(6,001,186)</u>	<u>172,602</u>	<u>(7,941,905)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sales (purchases) of investments	1,327,478	(917)	-	1,326,561
Interest on investments	134,224	23,422	5,127	162,773
Net cash provided (used) by investing activities	<u>1,461,702</u>	<u>22,505</u>	<u>5,127</u>	<u>1,489,334</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	626,934	(1,136,195)	109,338	(399,923)
CASH AND CASH EQUIVALENTS, Beginning	<u>2,423,577</u>	<u>1,824,435</u>	<u>224,432</u>	<u>4,472,444</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 3,050,511</u>	<u>\$ 688,240</u>	<u>\$ 333,770</u>	<u>\$ 4,072,521</u>
COMPRISED AS FOLLOWS:				
Cash and cash equivalents	\$ 1,668,913	\$ 672,040	\$ 333,770	\$ 2,674,723
Restricted cash and cash equivalents - current	192,096	16,200	-	208,296
Restricted cash and cash equivalents - noncurrent	1,189,502	-	-	1,189,502
	<u>\$ 3,050,511</u>	<u>\$ 688,240</u>	<u>\$ 333,770</u>	<u>\$ 4,072,521</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, 2019

	Business-type Activities - Enterprise Funds			
	Electricity Operations Fund	Utility Operations	Regional Water Operations	Totals
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	\$ 1,226,830	\$ 1,690,747	\$ (267,291)	\$ 2,650,286
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	670,361	1,248,121	244,127	2,162,609
(Increase) decrease in assets and deferred outflows:				
Receivables	(16,428)	(508,060)	(20,125)	(544,613)
Prepaid	(1,275)	(22,098)	(2,112)	(25,485)
Other post employment benefits asset	(1,743)	(14,758)	(1,437)	(17,938)
Deferred outflows - pension	(10,193)	(134,051)	(4,310)	(148,554)
Deferred outflows - OPEB	(2,054)	(28,225)	(1,889)	(32,168)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	(8,261)	(20,850)	3,003	(26,108)
Deposits	9,986	-	-	9,986
Unearned revenues	-	11,016	-	11,016
Compensated absences payable	-	1,473	-	1,473
Other post employment benefits liability	2,194	33,660	1,042	36,896
Net pension liability	13,396	232,392	855	246,643
Deferred inflows - pension	12,658	115,062	9,754	137,474
Deferred inflows - OPEB	1,163	15,223	999	17,385
Net cash provided from (used by) operating activities	\$ 1,896,634	\$ 2,619,652	\$ (37,384)	\$ 4,478,902

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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:

- Electricity Operations
- Utility Operations
- Regional Water Operations

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
Buildings and improvements	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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

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 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 THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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.

2. Cash and Investments

At June 30, 2019 cash and investments consisted of the following:

Cash	\$ 6,391,752
Cash equivalents	4,665,054
Total cash and cash equivalents	<u>\$ 11,056,806</u>
Cash and cash equivalents are displayed on the financial statements as:	
Cash and cash equivalents	\$ 9,555,141
Restricted cash and cash equivalents	1,501,661
Total cash and cash equivalents	<u>\$ 11,056,802</u>

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Investment Type	Weighted Average Maturity	Fair Value
Local Government Investment Pool	-	\$ 4,665,054
Government Cash Reserves Fund	-	13,701
Corporate Bonds (18% A+, 46% AA-, 18% AA, 18% AA+)	3.85	1,440,446
US Agencies	0.82	3,644,640
	0.87	9,763,841
Less amounts classified as cash equivalents	-	(4,665,054)
Total investments	1.67	\$ 5,098,787

At year-end, the City's bank deposits were covered by federal depository insurance of \$250,000 at each institution.

Restricted Cash

Current restricted cash includes \$264,604 of customer deposits and \$47,555 in police evidence. Noncurrent restricted cash consists of \$1,189,502 of unspent bond proceeds restricted to capital projects.

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, 2019, the book value of the City's deposits was \$6,315,465 and the bank balance was \$6,294,844. \$5,689,034 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.

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

CITY OF HERMISTON, OREGON
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June 30, 2019

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)

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 Home Loan Mortgage

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Corporation \$276,394, Federal Farm Credit Bank \$1,251,205, Resolution Funding Corporation Strips \$1,029,097 and Federal Home Loan Bank \$511,917. 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, 2019, 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. Investments must be rated AA or higher.

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.

3. Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established in the Utility Fund for \$100,872 and Energy Services for \$35,000. All other accounts are considered fully collectible. Accordingly, no additional provision for estimated uncollectible accounts has been established.

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4. Capital Assets

The changes in capital assets for the governmental activities for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital Assets, non-depreciable:				
Land	\$ 3,463,310	\$ -	\$ -	\$ 3,463,310
Construction in progress	4,242,994	754,921	(4,474,822)	523,093
Total capital assets, non-depreciable	<u>7,706,304</u>	<u>754,921</u>	<u>(4,474,822)</u>	<u>3,986,403</u>
Capital assets, depreciable:				
Buildings and improvements	35,061,848	3,750,520	(369,216)	38,443,152
Machinery and equipment	3,692,428	513,231	(104,501)	4,101,158
Street system	17,448,416	308,879	-	17,757,295
Total capital assets, depreciable	<u>56,202,692</u>	<u>4,572,630</u>	<u>(473,717)</u>	<u>60,301,605</u>
Total	63,908,996	5,327,551	(4,948,539)	64,288,008
Less accumulated depreciation for:				
Buildings and improvements	(10,108,429)	(1,360,352)	369,216	(11,099,565)
Machinery and equipment	(2,636,700)	(198,964)	89,466	(2,746,198)
Street system	(12,405,686)	(428,499)	-	(12,834,185)
Total accumulated depreciation	<u>(25,150,815)</u>	<u>(1,987,815)</u>	<u>458,682</u>	<u>(26,679,948)</u>
Net depreciable capital assets	<u>31,051,877</u>	<u>2,584,815</u>	<u>(15,035)</u>	<u>33,621,657</u>
Net capital assets	<u>\$ 38,758,181</u>	<u>\$ 3,339,736</u>	<u>\$ (4,489,857)</u>	<u>\$ 37,608,060</u>

Depreciation expense is allocated to governmental functions as follows:

Governmental activities:

General government	\$ 341,737
Public safety	96,926
Highways and streets	463,815
Culture and recreation	1,085,337
Total depreciation expense - governmental activities	<u>\$ 1,987,815</u>

CITY OF HERMISTON, OREGON
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The changes in capital assets for the business-type activities for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital Assets, non-depreciable:				
Land	\$ 1,079,743	\$ -	\$ -	\$ 1,079,743
Construction in Progress	1,548,666	3,974,258	(3,578,364)	1,944,560
Total capital assets, non-depreciable	<u>2,628,409</u>	<u>3,974,258</u>	<u>(3,578,364)</u>	<u>3,024,303</u>
Capital assets, depreciable:				
Utility Systems and buildings	69,960,713	3,897,037	-	73,857,750
Electrical system	22,098,042	938,529	-	23,036,571
Equipment and vehicles	1,725,813	341,196	(198,840)	1,868,169
Total capital assets, depreciable	<u>93,784,568</u>	<u>5,176,762</u>	<u>(198,840)</u>	<u>98,762,490</u>
Total	96,412,977	9,151,020	(3,777,204)	101,786,793
Less accumulated depreciation for:				
Utility Systems and buildings	(23,789,738)	(1,362,883)	-	(25,152,621)
Electrical system	(7,615,453)	(670,361)	-	(8,285,814)
Equipment and vehicles	(1,074,191)	(129,365)	198,840	(1,004,716)
Total accumulated depreciation	<u>(32,479,382)</u>	<u>(2,162,609)</u>	<u>198,840</u>	<u>(34,443,151)</u>
Net depreciable capital assets	<u>61,305,186</u>	<u>3,014,153</u>	<u>-</u>	<u>64,319,339</u>
Net capital assets	<u>\$ 63,933,595</u>	<u>\$ 6,988,411</u>	<u>\$ (3,578,364)</u>	<u>\$ 67,343,642</u>

Depreciation expense is allocated to business-type functions as follows:

Business-type activities:	
Water	\$ 440,244
Sewer	807,877
Electric	670,361
Regional Water	244,127
Total depreciation expense - business-type activities	<u>\$ 2,162,609</u>

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

CITY OF HERMISTON, OREGON
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exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

6. Long-term Liabilities from Direct Borrowings and Direct Placements

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Issued	Reductions	Balance June 30, 2019	Due Within One Year
Governmental activities:					
Principal Transactions:					
Governmental bonds					
2013 pool bonds	\$ 2,715,000	\$ -	\$ 110,000	\$ 2,605,000	\$ 120,000
2017 HURA bonds	1,425,000	-	55,000	1,370,000	60,000
2017 HURA premium	45,938	-	2,455	43,483	2,455
2017 TPA bonds	2,045,000	-	80,000	1,965,000	85,000
2017 TPA premium	66,255	-	3,542	62,713	3,542
2013 pool premium	95,129	-	6,342	88,787	6,342
2011 refunding regional water bonds	1,795,000	-	255,000	1,540,000	260,000
2011 refunding regional water premium	69,384	-	9,912	59,472	9,912
Total governmental bonds	8,256,706	-	522,251	7,734,455	547,251
Governmental Loans/Notes from direct borrowings					
Banner Bank	491,614	-	244,456	247,158	247,158
Oregon Business Development Dept.	-	1,198,583	-	1,198,583	-
Total Governmental Loans	491,614	1,198,583	244,456	1,445,741	247,158
Other Governmental long-term obligations					
Governmental Leases					
TYMCO, Inc. s sweeper lease	-	192,430	-	192,430	29,048
Bank of the West chipper lease	-	40,600	-	40,600	6,983
Total Governmental Leases	-	233,030	-	233,030	36,031
Compensated absences	381,754	319,607	305,403	395,958	316,766
Total governmental activities	\$ 9,130,074	\$ 1,751,220	\$ 1,072,110	\$ 9,809,184	\$ 1,147,206
Business-type activities:					
Enterprise bonds					
2017 Water bonds	3,050,000	-	120,000	2,930,000	125,000
2017 Water premium	98,793	-	5,281	93,512	5,281
2014 sewer and water bonds	4,590,000	-	130,000	4,460,000	135,000
2014 sewer and water premium	232,012	-	10,546	221,466	10,546
2016 Electric bonds	14,940,000	-	605,000	14,335,000	615,000
2016 Electric premium	832,173	-	45,495	786,678	45,495
Total enterprise bonds	23,742,978	-	916,322	22,826,656	936,322
Enterprise loans/notes from direct borrowings					
Business Oregon	18,382	-	8,967	9,415	9,415
Oregon DEQ	18,967,190	-	893,733	18,073,457	917,885
Total enterprise loans	18,985,572	-	902,700	18,082,872	927,300
Other Business-type long-term obligations					
Compensated absences	91,918	75,007	73,534	93,391	74,713
Total business-type activities	\$ 42,820,468	\$ 75,007	\$ 1,892,556	\$ 41,002,919	\$ 1,938,335
Total City	\$ 51,950,542	\$ 1,826,227	\$ 2,964,666	\$ 50,812,103	\$ 3,085,541

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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.

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 October 2005 for \$13,210,000 with interest rates ranging from 3.35% to 4.60% to retire bonds issued in 2002 in a current refunding. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$178,243. This difference and an original issue discount of \$220,607 are reported in the accompanying financial statements as a deduction from bonds payable, and are being charged to operations over the life of the debt using the effective-interest method. The bonds were refunded in September of 2016 and the unamortized original issue discount and prepaid bond insurance were added to the deferred charge on refunding and will be amortized over the remaining life of the bonds.

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 January 2007, the City issued Utility Refunding Bonds valued at \$2,532,370 with an interest rate of 4.10% to provide resources placed in an irrevocable trust for future debt service payments of \$2,530,000 to retire utility bonds issued in 1997. The City completed this advance refunding to reduce its total debt service payments over the next ten years by approximately \$219,000 and to obtain an economic gain of approximately \$153,000. The economic gain is the difference between the present values of the old and new debt service. The bonds were paid in full during the year.

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.

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

In 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,	Total enterprise bonds		Total governmental bonds	
	Principal	Interest	Principal	Interest
2020	\$ 936,322	\$ 731,736	\$ 547,251	\$ 244,182
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
2025-2029	5,706,610	2,645,887	2,051,607	585,107
2030-2034	6,666,610	1,676,350	2,010,352	281,533
2035-2039	5,206,280	436,775	706,241	49,000
2040-2044	325,546	6,300	-	-
Total	\$ 22,826,656	\$ 8,195,710	\$ 7,734,455	\$ 1,930,448

Notes payable

The City took over the Eastern Oregon Trade and Events Center Authority and assumed all assets and liabilities. The Authority borrowed \$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 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 City borrowed \$4,047,328 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 below are based upon a repayment schedule required by the loan agreement.

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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 below 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 \$1,198,583 through June 30, 2019, but has incurred additional costs that will be received in the next fiscal year. 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		Total governmental loans	
	Principal	Interest	Principal	Interest
2020	\$ 927,300	\$ 567,639	\$ 247,158	\$ 7,662
2021	942,687	537,716	-	-
2022	968,161	507,465	-	-
2023	994,325	476,395	-	-
2024	1,021,196	444,486	-	-
2025-2029	5,535,162	1,712,776	-	-
2030-2034	6,324,691	775,222	-	-
2035-2039	1,369,350	31,084	-	-
	<u>\$ 18,082,872</u>	<u>\$ 5,052,783</u>	<u>\$ 247,158</u>	<u>\$ 7,662</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
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Fiscal Year Ending June 30,	<u>Total governmental capital leases</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 36,031	\$ 10,496
2021	37,790	8,737
2022	39,499	7,029
2023	41,288	5,238
2024	43,166	3,360
2025-2029	35,256	1,393
	<u>\$ 233,030</u>	<u>\$ 36,253</u>

7. Operating Leases

The City also entered into operating leases with Enterprise Fleet Management for four Dodge Ram vehicles. The agreements require monthly payments ranging from \$542 to \$655 for 60 months and a total of \$8,359 was paid during the year. The agreements have mileage restrictions and a minimum value set for the vehicles at the end of the lease. The lease agreement does not include a purchase option, but the leasing company has assured the City they will have the right to purchase the vehicles. Future maturities are \$29,087 for 2020 through 2023 and \$20,728 for 2024.

8. Fund Balance Classifications and Net Position

Fund balances by classification for the year ended June 30, 2019 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	\$ 20,936	\$ -	\$ -	\$ -	\$ 20,936
Restricted for:					
Debt service	-	-	-	171,455	171,455
Culture and recreation	-	-	1,349,521	215,900	1,565,421
Highways and streets	-	1,036,913	696,374	-	1,733,287
Public safety	-	-	-	59,357	59,357
Economic development	82,415	-	69,793	655,653	807,861
System development	-	-	822,898	-	822,898
Committed to:					
Municipal court	-	-	-	1,933	1,933
Culture and recreation	-	-	332,095	98,808	430,903
Highways and streets	-	-	256,739	-	256,739
Economic development	-	-	204,445	68,185	272,630
Public safety	-	-	-	71,056	71,056
Utility systems	-	-	1,273,820	-	1,273,820
Insurance reserve	-	-	-	215,400	215,400
Other reserves	-	-	405,386	1,597	406,983
Assigned for:					
Other	-	-	-	9,136	9,136
Unassigned	<u>2,983,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,983,175</u>
Total Fund Balance	<u>\$ 3,086,526</u>	<u>\$1,036,913</u>	<u>\$ 5,411,071</u>	<u>\$ 1,568,480</u>	<u>\$ 11,102,990</u>

The government-wide statement of net position reports \$5,160,279 of restricted net position. Of the restricted balances, \$501,044 is restricted under the City's TRT ordinance establishing the tax, \$2,759,587 is restricted by ORS for streets, debt, system development, and urban renewal, and the remaining \$1,899,648 is restricted by grants and donors.

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9. Garbage Disposal Contract

The City contracts for garbage disposal with a third party. Under terms of the agreement the City remits 86.5% 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.

10. Interfund Transfers, Loans, Receivables, Payables

A. 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 fund.
- 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.
- Budgetary basis transfers reported on the Schedules of Revenues, Expenditures and Changes in Fund Balances
- The City resolution requires requiring 1/3 of franchise fees be transferred to the Reserve Fund for street improvements.
- Amounts paid by the reserve fund for proprietary fund capital assets and repairs.

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:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
Combined General Fund	\$ 1,143,659	\$ 1,159,749
State Tax Street Fund	-	170,214
Reserve Fund	1,622,483	2,596,007
Total Major Governmental Funds	<u>2,766,142</u>	<u>3,925,970</u>
Non-Major Governmental Funds:		
Municipal Court Fund	-	25,626
Law Enforcement Fund	11,632	-
Misc. Special Revenue Fund	-	50,000
Transient Room Tax Fund	-	778,056
EOTEC Operating Fund	231,498	-
Bonded Debt Fund	196,634	-
Total Non-Major Governmental Funds	<u>439,764</u>	<u>853,682</u>
Proprietary Funds:		
Energy Operations	450,000	1,068,081
Utility Operations	2,585,834	363,000
Regional Water Operations	25,173	56,180
Total Proprietary Funds	<u>3,061,007</u>	<u>1,487,261</u>
Total All Funds	<u>\$ 6,266,913</u>	<u>\$ 6,266,913</u>

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B. Interfund Loans Receivables and Payables

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

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Combined General Fund	\$ 20,936	\$ -
Hermiston Urban Renewal Agency	-	20,936
Total	<u>\$ 20,936</u>	<u>\$ 20,936</u>

11. Commitments and Contingencies

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, 2019 were \$303,296 and the project was 90% complete.
2. Electric Improvements – The City received \$4.5 million in bond proceeds for electric improvements included in the 2016-19 construction work plan. The City will participate in the construction of Hermiston East substation with Umatilla Electric Coop and install new automated meter infrastructure capable of reading electric meters. As of June 30, 2019, \$3,568,614 has been spent towards the projects, which is approximately 80% of the bond proceeds.
3. NE Water Tank – The City is performing improvements to the utility system and constructing the NE Water Tank. As of June 30, 2019, \$1,944,560 has been spent towards the project and the project and the project was approximately 42% complete. The total project budget is estimated at \$4.6 million.
4. 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.
5. 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. Cost incurred as of June 30, 2019 were \$77,364 and the project was 70% complete.

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

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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, 2019 were \$211,500 with \$161,500 due by June 30, 2020, and \$50,000 due 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 \$85,000 of potential contributions.

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.

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:

<http://www.oregon.gov/pers/EMP/Pages/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

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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.

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%.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

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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.

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

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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, 2015, which became effective July 1, 2017. Employer contributions and employer pick-up contributions for the year ended June 30, 2019 were \$1,614,883, excluding \$29,206 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 .50% Tier One/Tier Two and .43% OPSRP, were 21.73 percent for Tier One/Tier Two General Service Member, 21.73 percent for Tier One/Tier Two Police and Fire, 13.99 percent for OPSRP Pension Program General Service Members, 18.76 percent for OPSRP Pension Program Police and Fire Members, and 6 percent 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, 2019, the City reported a liability of \$10,431,848 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportionate share was 0.06886307 percent, which was decreased from its proportionate share of 0.07185807 percent measured as of June 30, 2017.

For the year ended June 30, 2019, the City's recognized pension expense (income) of \$2,409,379. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 354,860	\$ -
Changes of assumptions	2,425,385	-
Net difference between projected and actual earnings on investments	-	463,233
Changes in proportionate share	123,640	635,486
Differences between employer contributions and employer's proportionate share of system contributions	<u>309,692</u>	<u>50,678</u>
Total (prior to post-MD contributions)	3,213,577	1,149,397
Contributions subsequent to the measurement date	<u>1,160,723</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 4,374,300</u>	<u>\$ 1,149,397</u>

\$1,160,723 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:

Year ended June 30:	
2020	\$ 1,198,739
2021	806,904
2022	(120,870)
2023	122,092
2024	<u>57,315</u>
Total	<u>\$ 2,064,180</u>

E. Actuarial Assumptions

The employer contribution rates effective July 1, 2017, through June 30, 2019, 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.

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The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
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	<p>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.</p> <p>Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 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 2015 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.

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Asset Class/Strategy	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	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%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
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	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
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%

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.

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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.

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:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability (asset)	\$17,433,589	\$ 10,431,848	\$ 4,652,484

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, except that the discount rate decreased from 7.5 percent to 7.2 percent.

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M. Changes in Plan Provisions Subsequent to Measurement Date

We are not aware of any changes subsequent to the June 30, 2018 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

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.

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.

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- 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 \$640,779 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation rate	2.5 percent per year
Discount rate	3.87 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: 2018-6.75%, 2019-7% 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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	<u>\$ 552,592</u>
Changes for the year:	
Service cost	36,601
Interest	20,812
Changes of benefit terms	-
Economic/demographic gains or losses	109,975
Changes in assumptions or other inputs	(63,385)
Benefit payments	<u>(15,816)</u>
Net changes	<u>88,187</u>
Balance at June 30, 2019	<u>\$ 640,779</u>

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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 697,522	\$ 640,779	\$ 588,330

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

	<u>1% Decrease</u>	<u>Healthcare Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 569,787	\$ 640,779	\$ 723,791

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$58,446. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,519	\$ -
Changes in assumptions or inputs	-	(89,631)
Total (prior to post MD contributions)	98,519	(89,631)
Contributions subsequent to the measurement date	31,719	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 130,238</u>	<u>\$ (89,631)</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:	
2020	\$ 1,033
2021	1,033
2022	1,033
2023	1,033
2024	1,033
Thereafter	<u>3,723</u>
Total	<u>\$ 8,888</u>

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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 0.50% of annual covered payroll for Tier I and Tier II employees and 0.43% for OPSRP employees. 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, 2019, 2018 and 2017 were \$29,206, \$29,324, and \$27,290, which equaled the required contributions each year.

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

At June 30, 2019, the City reported an asset of \$67,603 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. 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, 2018, the City's proportion was 0.06056140 percent, which was increased from its proportion of 0.057000055 percent measured as of June 30, 2017.

For the year ended June 30, 2019, the City's recognized OPEB expense (income) of \$(6,554). At June 30, 2019, 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	\$ -	\$ 3,831
Changes of Assumptions	-	214
Net difference between projected and actual earnings on investments	-	14,575
Changes in proportionate share	56	556
Total (prior to post-MD contributions)	56	19,176
Contributions subsequent to the measurement date	29,205	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 29,261</u>	<u>\$ 19,176</u>

\$29,205 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:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Year ended June 30:	
2020	\$ (6,343)
2021	(6,353)
2022	(4,975)
2023	<u>(1,449)</u>
Total	<u>\$ (19,120)</u>

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, 2016
Measurement Date	June 30, 2018
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	<p>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.</p> <p>Active Members: RP-2014 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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 2015 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 THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Asset Class/Strategy	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	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%

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
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	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
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 THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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	\$ (39,362)	\$ (67,603)	\$ (91,642)

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, 2018 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, 2018 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 THE BASIC FINANCIAL STATEMENTS
June 30, 2019

	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (Income) Expense
Health Insurance Continuation	\$ 640,779	\$ 130,238	\$ 89,631	\$ 58,446
Retirement Health Insurance Account (RHIA)	(67,603)	29,261	19,176	(6,554)
Aggregate amounts related to OPEB	<u>\$ 573,176</u>	<u>\$ 159,499</u>	<u>\$ 108,807</u>	<u>\$ 51,892</u>

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 has two five-year agreements with a producer of hybrid seeds for agriculture that expanded into the Hermiston Enterprise Zone. The City's portion of the abated taxes was approximately \$76,000. There is also a food processing plant in the enterprise zone under a three year agreement, 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.

17. GASB Pronouncements

It is the City's policy to implement new GASB pronouncements no later than the required effective date. The City implemented GASB Statement No. 88, Certain Disclosures Related to Debt, Including Debt Borrowings and Direct Placements and GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period. Upcoming pronouncements, which may have an effect on the City, are listed below:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement was issued November 2016 to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB Statement No. 83 will be effective for the City for fiscal year ending June 30, 2020.

GASB Statement No. 84, Fiduciary Activities. This statement was issued January 2017 to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 will be effective for the City for fiscal year ending June 30, 2020.

GASB Statement No. 87, Leases. This Statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2021.

18. Extraordinary Item

The Funland Play Structure burned down on May 10, 2019. Insurance proceeds were agreed to during fiscal year 2019 and received in July. Payment of \$591,706 was issued at actual cash value less a \$1,000 deductible.

19. Subsequent Events

Subsequent to year end, the City entered into additional leases with Enterprise Fleet Management for three pickups, a Ford F-750 Diesel, a police vehicle, and 9 police interceptor vehicles. The agreements have mileage restrictions and a minimum value set for the vehicles at the end of the lease. The lease agreement does not include a purchase option, but the leasing company has assured the City they will have the right to purchase the vehicles. The agreements require monthly payments at various amounts for a total of \$11,294 per month for 60 months after acceptance of the vehicle.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Property taxes	\$ 5,595,000	\$ 5,595,000	\$ 5,698,487	\$ 103,487
Franchise fees	916,500	916,500	1,360,736	444,236
Licenses and fees	4,800	4,800	6,045	1,245
Charges for services	1,563,000	1,665,000	2,032,797	367,797
Intergovernmental	569,430	569,430	598,678	29,248
Fines and forfeitures	530,000	530,000	350,087	(179,913)
Rental income	70,000	70,000	66,782	(3,218)
Interest on investments	30,000	30,000	96,409	66,409
Miscellaneous	172,000	226,945	282,837	55,892
TOTAL REVENUES	9,450,730	9,607,675	10,492,858	885,183
EXPENDITURES				
Current:				
General government	2,686,080	2,772,230	2,584,238	187,992
Public safety	5,418,680	5,436,525	5,277,374	159,151
Culture and recreation	2,722,410	2,865,810	2,760,125	105,685
Capital outlay	214,245	301,870	273,196	28,674
Contingency	1,548,326	1,427,151	-	1,427,151
TOTAL EXPENDITURES	12,589,741	12,803,586	10,894,933	1,908,653
REVENUES OVER (UNDER) EXPENDITURES	(3,139,011)	(3,195,911)	(402,075)	2,793,836
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	40,600	40,600
Transfers in	458,200	503,200	525,578	22,378
Interfund loan proceeds	11,166	11,166	11,166	-
Transfers out	(1,066,669)	(1,066,669)	(1,114,749)	(48,080)
TOTAL OTHER FINANCING SOURCES (USES)	(597,303)	(552,303)	(537,405)	14,898
EXTRAORDINARY ITEM				
Insurance recovery from fire damage	-	-	591,706	591,706
TOTAL EXTRAORDINARY ITEM	-	-	591,706	591,706
NET CHANGE IN FUND BALANCE	(3,736,314)	(3,748,214)	(347,774)	3,400,440
Budgetary basis adjustment	-	-	(9,096)	(9,096)
FUND BALANCE, Beginning	3,736,314	3,748,214	3,388,050	(360,164)
FUND BALANCE, Ending	\$ -	\$ -	\$ 3,031,180	\$ 3,031,180

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,221,360	\$ 1,221,360	\$ 1,526,630	\$ 305,270
Interest on investments	-	-	13,116	13,116
Miscellaneous	-	-	7,850	7,850
TOTAL REVENUES	<u>1,221,360</u>	<u>1,221,360</u>	<u>1,547,596</u>	<u>326,236</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personnel services	644,260	644,260	621,375	22,885
Materials and services	490,365	440,365	352,846	87,519
Capital outlay	2,000	2,000	340	1,660
Contingency	415,521	395,521	-	395,521
TOTAL EXPENDITURES	<u>1,552,146</u>	<u>1,482,146</u>	<u>974,561</u>	<u>507,585</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(330,786)</u>	<u>(260,786)</u>	<u>573,035</u>	<u>833,821</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,214)	(170,214)	(170,214)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,214)</u>	<u>(170,214)</u>	<u>(170,214)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(431,000)	(431,000)	402,821	833,821
FUND BALANCE, Beginning	431,000	431,000	634,092	203,092
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,036,913</u>	<u>\$ 1,036,913</u>

See auditor's report.

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
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
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
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**

<u>Year Ended June 30,</u>	<u>Contractually required contributions</u>	<u>City's contributions in relation to the contractually required contribution</u>	<u>City's contribution deficiency (excess)</u>	<u>City's covered employee payroll</u>	<u>City's contribution as a percentage of covered employee payroll</u>
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

Year Ended June 30,	Service cost	Interest	Economic/demographic gains or losses	Changes of assumptions	Benefit payments	City's Net change in total OPEB liability	City's total OPEB liability - Beginning	City's total OPEB liability - Ending	City's covered employee payroll	City's total OPEB liability as a percentage of payroll
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%

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
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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 City's budget is presented on the modified accrual basis of accounting which is the same basis as GAAP, except for interfund loan activity reclassified to the balance sheet in the General Fund, Hermiston Urban Renewal Fund, and Reserve Fund. In addition, payment in lieu of taxes from the Energy Services Fund is reclassified to transfers for GAAP. Payments for proprietary fund capital purchase from the Reserve Fund are also reclassified 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.

Prior to enacting this resolution, the proposed budget is presented to a budget committee. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds as required by Oregon Local Budget Law.

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 appropriation transfers during the year-ended June 30, 2019. The City had one supplemental budget during the year-ended June 30, 2019. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2019:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General fund	Municipal pool	\$1,251
General fund	Transfers out	\$48,080
Transient room tax fund	Material and services	\$2,068
Transient room tax fund	Transfers out	\$43,056
Utility fund	Sewer	\$5,970

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

COMBINING STATEMENTS

Non-Major Governmental Funds

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. The fund included in this category is:

- *Transient Room Tax Fund* – This fund accounts for revenues collected from the City's transient room tax.
- *Municipal Court Fund* – The Municipal Court 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* – The Law Enforcement Fund accounts for amounts constrained for law enforcement and related purposes.
- *Library Reserve Fund* – The Library Reserve Fund accounts for amounts constrained for library operations and improvements.
- *Hermiston Urban Renewal Agency* – The Hermiston Urban Renewal Agency Fund accounts for amounts constrained for the Urban Renewal Agency.
- *EOTEC Operations Fund* – The EOTEC Construction 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* – The Senior Center Construction Fund accounts for proceeds of the grant and other resources received to construct a new Senior Center in Hermiston.
- *2017 FF&C HURA Fund* – The 2017 FF&C HURA Fund accounts for bond proceeds to be used for Urban Renewal projects.
- *2017 FF&C TPA Fund* – The 2017 FF&C TPA 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* – The Bonded Debt 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, 2019**

	Transient Room Tax Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Christmas Express Fund	Law Enforcement Fund	Library Reserve Fund
ASSETS						
Cash and cash equivalents	\$ 18,510	\$ 15,225	\$ 375,678	\$ 24,638	\$ 141,095	\$ 107,453
Receivables:						
Property taxes	-	-	-	-	-	-
Accounts	254,241	81,217	-	-	13,203	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 272,751</u>	<u>\$ 96,442</u>	<u>\$ 375,678</u>	<u>\$ 24,638</u>	<u>\$ 154,298</u>	<u>\$ 107,453</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 5,537	\$ 13,292	\$ 149,545	\$ -	\$ -	\$ 280
Deposits	-	-	-	-	47,555	350
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>5,537</u>	<u>13,292</u>	<u>149,545</u>	<u>-</u>	<u>47,555</u>	<u>630</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	81,217	-	-	968	-
Total deferred inflows of resources	<u>-</u>	<u>81,217</u>	<u>-</u>	<u>-</u>	<u>968</u>	<u>-</u>
FUND BALANCES (DEFICIT)						
Restricted	267,214	-	-	24,638	34,719	8,015
Committed	-	1,933	216,997	-	71,056	98,808
Assigned	-	-	9,136	-	-	-
Total fund balances	<u>267,214</u>	<u>1,933</u>	<u>226,133</u>	<u>24,638</u>	<u>105,775</u>	<u>106,823</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 272,751</u>	<u>\$ 96,442</u>	<u>\$ 375,678</u>	<u>\$ 24,638</u>	<u>\$ 154,298</u>	<u>\$ 107,453</u>

See auditor's report.

Hermiston Urban Renwal Agency Fund	EOTEC Operations Fund	Senior Center Construction Fund	2017 FF&C HURA Fund	2017 FF&C TPA Fund	Bonded Debt Fund	Totals
\$ 402,690	\$ 217,937	\$ 68,185	\$ 24,223	\$ 831	\$ 167,587	\$ 1,564,052
7,453	-	-	-	-	17,323	24,776
-	288,937	-	-	-	-	637,598
-	2,703	-	-	-	-	2,703
<u>\$ 410,143</u>	<u>\$ 509,577</u>	<u>\$ 68,185</u>	<u>\$ 24,223</u>	<u>\$ 831</u>	<u>\$ 184,910</u>	<u>\$ 2,229,129</u>
\$ 20,000	\$ 66,984	\$ -	\$ -	\$ -	\$ -	\$ 255,638
-	43,208	-	-	-	-	91,113
<u>20,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,936</u>
<u>40,936</u>	<u>110,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,687</u>
<u>5,822</u>	<u>191,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,455</u>	<u>292,962</u>
<u>5,822</u>	<u>191,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,455</u>	<u>292,962</u>
363,385	207,885	-	24,223	831	171,455	1,102,365
-	-	68,185	-	-	-	456,979
-	-	-	-	-	-	9,136
<u>363,385</u>	<u>207,885</u>	<u>68,185</u>	<u>24,223</u>	<u>831</u>	<u>171,455</u>	<u>1,568,480</u>
<u>\$ 410,143</u>	<u>\$ 509,577</u>	<u>\$ 68,185</u>	<u>\$ 24,223</u>	<u>\$ 831</u>	<u>\$ 184,910</u>	<u>\$ 2,229,129</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, 2019

	Transient Room Tax Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Christmas Express Fund	Law Enforcement Fund	Library Reserve Fund
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient room taxes	926,586	-	-	-	-	-
Charges for services	-	-	28,620	-	-	372
Intergovernmental	-	-	750	-	29,358	3,159
Fines and forfeitures	-	145,563	-	-	-	13,376
Rental income	-	-	-	-	-	2,185
Contributions	-	-	-	14,425	1,000	868
Interest on investments	1,586	461	2,831	361	1,387	1,561
Miscellaneous	-	-	-	-	-	-
TOTAL REVENUES	<u>928,172</u>	<u>146,024</u>	<u>32,201</u>	<u>14,786</u>	<u>31,745</u>	<u>21,521</u>
EXPENDITURES						
Current:						
General government	-	131,280	28,464	-	-	-
Public safety	-	-	-	16,360	28,978	-
Culture and recreation	-	-	-	-	-	4,885
Economic development	110,068	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	144,000	-	-	-	-	-
TOTAL EXPENDITURES	<u>254,068</u>	<u>131,280</u>	<u>28,464</u>	<u>16,360</u>	<u>28,978</u>	<u>4,885</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>674,104</u>	<u>14,744</u>	<u>3,737</u>	<u>(1,574)</u>	<u>2,767</u>	<u>16,636</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	11,632	-
Transfers out	(778,056)	(25,626)	(50,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(778,056)</u>	<u>(25,626)</u>	<u>(50,000)</u>	<u>-</u>	<u>11,632</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(103,952)	(10,882)	(46,263)	(1,574)	14,399	16,636
FUND BALANCE, Beginning	<u>371,166</u>	<u>12,815</u>	<u>272,396</u>	<u>26,212</u>	<u>91,376</u>	<u>90,187</u>
FUND BALANCE, Ending	<u>\$ 267,214</u>	<u>\$ 1,933</u>	<u>\$ 226,133</u>	<u>\$ 24,638</u>	<u>\$ 105,775</u>	<u>\$ 106,823</u>

See auditor's report.

Hermiston Urban Renwal Agency Fund	EOTEC Operations Fund	Senior Center Construction Fund	2017 FF&C HURA Fund	2017 FF&C TPA Fund	Bonded Debt Fund	Totals
\$ 175,142	\$ -	\$ -	\$ -	\$ -	\$ 313,375	\$ 488,517
-	-	-	-	-	-	926,586
-	306,603	-	-	-	-	335,595
-	235,574	2,805	-	-	-	271,646
-	-	-	-	-	-	158,939
-	-	-	-	-	-	2,185
-	194,000	-	-	-	-	210,293
-	1,913	1,261	648	-	-	12,009
-	5,696	3,866	-	-	-	9,562
<u>175,142</u>	<u>743,786</u>	<u>7,932</u>	<u>648</u>	<u>-</u>	<u>313,375</u>	<u>2,415,332</u>
-	-	-	-	-	-	159,744
-	-	-	-	-	-	45,338
-	657,441	-	-	-	-	662,326
38,503	-	-	-	-	-	148,571
-	-	22,424	-	-	-	22,424
<u>101,683</u>	<u>258,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,059</u>	<u>1,021,322</u>
<u>140,186</u>	<u>916,021</u>	<u>22,424</u>	<u>-</u>	<u>-</u>	<u>517,059</u>	<u>2,059,725</u>
<u>34,956</u>	<u>(172,235)</u>	<u>(14,492)</u>	<u>648</u>	<u>-</u>	<u>(203,684)</u>	<u>355,607</u>
-	231,498	-	-	-	196,634	439,764
-	-	-	-	-	-	(853,682)
-	<u>231,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,634</u>	<u>(413,918)</u>
34,956	59,263	(14,492)	648	-	(7,050)	(58,311)
<u>328,429</u>	<u>148,622</u>	<u>82,677</u>	<u>23,575</u>	<u>831</u>	<u>178,505</u>	<u>1,626,791</u>
<u>\$ 363,385</u>	<u>\$ 207,885</u>	<u>\$ 68,185</u>	<u>\$ 24,223</u>	<u>\$ 831</u>	<u>\$ 171,455</u>	<u>\$ 1,568,480</u>

See auditor's report.

COMBINING STATEMENTS

Combined General Fund

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

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, 2019

	General Fund	Revolving Loan Fund	Recreation Reserve Fund	Community Center Fund	Combined General Fund
ASSETS					
Cash and cash equivalents	\$ 849,514	\$ 24,553	\$ 28,420	\$ 2,373	\$ 904,860
Investments	1,536,817	-	-	-	1,536,817
Receivables:					
Property taxes	311,087	-	-	-	311,087
Accounts, net	1,014,654	-	-	-	1,014,654
Advances to other funds	20,936	-	-	-	20,936
Total assets	\$ 3,733,008	\$ 24,553	\$ 28,420	\$ 2,373	\$ 3,788,354
LIABILITIES					
Accounts payable and accrued liabilities	\$ 400,336	\$ -	\$ -	\$ -	\$ 400,336
Deposits	12,750	-	-	-	12,750
Total liabilities	413,086	-	-	-	413,086
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	288,742	-	-	-	288,742
Total deferred inflows of resources	288,742	-	-	-	288,742
FUND BALANCES (DEFICIT)					
Nonspendable	20,936	-	-	-	20,936
Restricted	82,415	-	-	-	82,415
Unassigned	2,927,829	24,553	28,420	2,373	2,983,175
Total fund balances	3,031,180	24,553	28,420	2,373	3,086,526
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,733,008	\$ 24,553	\$ 28,420	\$ 2,373	\$ 3,788,354

See auditor's report.

**CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
COMBINED GENERAL FUND**

For the Fiscal Year Ended June 30, 2019

	General Fund	Revolving Loan Fund	Recreation Reserve Fund	Community Center Fund	Combined General Fund
REVENUES					
Property taxes	\$ 5,698,487	\$ -	\$ -	\$ -	\$ 5,698,487
Franchise fees	742,655	-	-	-	742,655
Licenses and fees	6,045	-	-	-	6,045
Charges for services	2,032,797	-	-	-	2,032,797
Intergovernmental	598,678	-	-	-	598,678
Fines and forfeitures	350,087	-	-	-	350,087
Rental income	66,782	-	-	-	66,782
Interest on investments	98,479	-	-	-	98,479
Miscellaneous	282,837	-	-	-	282,837
TOTAL REVENUES	9,876,847	-	-	-	9,876,847
EXPENDITURES					
Current:					
General government	2,584,237	-	-	-	2,584,237
Public safety	5,277,374	-	-	-	5,277,374
Culture and recreation	2,760,125	-	-	-	2,760,125
Capital outlay	273,196	-	-	-	273,196
TOTAL EXPENDITURES	10,894,932	-	-	-	10,894,932
REVENUES OVER (UNDER) EXPENDITURES	(1,018,085)	-	-	-	(1,018,085)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	40,600	-	-	-	40,600
Transfers in	1,143,659	-	-	-	1,143,659
Transfers out	(1,114,749)	-	(45,000)	-	(1,159,749)
TOTAL OTHER FINANCING SOURCES (USES)	69,509	-	(45,000)	-	24,509
EXTRAORDINARY ITEM					
Insurance recovery from fire damage	591,706	-	-	-	591,706
TOTAL EXTRAORDINARY ITEM	591,706	0	0	0	591,706
NET CHANGE IN FUND BALANCE	(356,869)	-	(45,000)	-	(401,869)
FUND BALANCE, Beginning	3,388,050	24,553	73,420	2,373	3,488,396
FUND BALANCE, Ending	\$ 3,031,180	\$ 24,553	\$ 28,420	\$ 2,373	\$ 3,086,526

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires 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 GASB Statement #34, 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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
EXPENDITURES				
City Council	\$ 62,260	\$ 62,260	\$ 62,013	\$ 247
Manager/Planning	554,280	556,080	529,770	26,310
Finance	134,080	134,080	124,519	9,561
Legal Counsel	141,900	141,900	104,998	36,902
Court	433,025	433,025	394,084	38,941
Transportation	259,300	284,300	274,514	9,786
Airport	276,870	318,870	247,041	71,829
Building Inspections	421,810	439,160	412,347	26,813
Parks	671,115	680,115	678,054	2,061
Parks/Utility Landscaping	46,080	46,080	42,349	3,731
Municipal Pool	408,395	519,495	520,746	(1,251)
Municipal Buildings	134,895	134,895	117,367	17,528
Library	795,320	806,120	759,523	46,597
Recreation	656,550	709,050	698,759	10,291
Public Safety Center	87,500	107,570	99,390	8,180
Police Operations	5,026,300	5,041,700	4,887,988	153,712
Community Center	142,060	167,060	163,705	3,355
Harkenrider Center	43,390	48,390	47,031	1,359
Non-Departmental	746,285	746,285	730,735	15,550
Transfers Out	1,066,669	1,066,669	1,114,749	(48,080)
Contingency	1,548,326	1,427,151	-	1,427,151
TOTAL EXPENDITURES	\$ 13,656,410	\$ 13,870,255	\$ 12,009,682	\$ 1,860,573

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

Governmental Funds

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
 - 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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Transient room taxes	\$ 830,000	\$ 830,000	\$ 926,586	\$ 96,586
Interest on investments	-	-	1,586	1,586
TOTAL REVENUES	<u>830,000</u>	<u>830,000</u>	<u>928,172</u>	<u>98,172</u>
EXPENDITURES				
Current:				
Economic development:				
Materials and services	108,000	108,000	110,068	(2,068)
Debt service	144,000	144,000	144,000	-
TOTAL EXPENDITURES	<u>252,000</u>	<u>252,000</u>	<u>254,068</u>	<u>(2,068)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>578,000</u>	<u>578,000</u>	<u>674,104</u>	<u>96,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(735,000)	(735,000)	(778,056)	(43,056)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(735,000)</u>	<u>(735,000)</u>	<u>(778,056)</u>	<u>(43,056)</u>
NET CHANGE IN FUND BALANCE	(157,000)	(157,000)	(103,952)	53,048
FUND BALANCE, Beginning	<u>157,000</u>	<u>157,000</u>	<u>371,166</u>	<u>214,166</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,214</u>	<u>\$ 267,214</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Materials and services	\$ 45,000	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	10,000	10,000	10,000	-
Transfers out	-	(45,000)	(45,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Budgetary basis adjustment	-	-	(10,000)	(10,000)
FUND BALANCE, Beginning	<u>35,000</u>	<u>35,000</u>	<u>73,420</u>	<u>38,420</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,420</u>	<u>\$ 28,420</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 218,300	\$ 218,300	\$ 145,563	\$ (72,737)
Interest on investments	-	-	461	461
TOTAL REVENUES	<u>218,300</u>	<u>218,300</u>	<u>146,024</u>	<u>(72,276)</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	221,500	221,500	131,280	90,220
TOTAL EXPENDITURES	<u>221,500</u>	<u>221,500</u>	<u>131,280</u>	<u>90,220</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,200)</u>	<u>(3,200)</u>	<u>14,744</u>	<u>17,944</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(31,200)	(31,200)	(25,626)	5,574
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,200)</u>	<u>(31,200)</u>	<u>(25,626)</u>	<u>5,574</u>
NET CHANGE IN FUND BALANCE	(34,400)	(34,400)	(10,882)	23,518
FUND BALANCE, Beginning	<u>34,400</u>	<u>34,400</u>	<u>12,815</u>	<u>(21,585)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,933</u>	<u>\$ 1,933</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 32,000	\$ 32,000	\$ 28,620	\$ (3,380)
Intergovernmental	-	-	750	750
Interest on investments	-	-	2,831	2,831
TOTAL REVENUES	<u>32,000</u>	<u>32,000</u>	<u>32,201</u>	<u>201</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	47,000	47,000	28,464	18,536
TOTAL EXPENDITURES	<u>47,000</u>	<u>47,000</u>	<u>28,464</u>	<u>18,536</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(15,000)</u>	<u>(15,000)</u>	<u>3,737</u>	<u>18,737</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(50,000)	(50,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(65,000)	(65,000)	(46,263)	18,737
FUND BALANCE, Beginning	<u>65,000</u>	<u>65,000</u>	<u>272,396</u>	<u>207,396</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,133</u>	<u>\$ 226,133</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Contributions	\$ 15,000	\$ 15,000	\$ 14,425	\$ (575)
Interest on investments	-	-	361	361
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>14,786</u>	<u>(214)</u>
EXPENDITURES				
Current:				
Public safety:				
Materials and services	35,000	35,000	16,360	18,640
TOTAL EXPENDITURES	<u>35,000</u>	<u>35,000</u>	<u>16,360</u>	<u>18,640</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(20,000)</u>	<u>(20,000)</u>	<u>(1,574)</u>	<u>18,426</u>
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	(1,574)	18,426
FUND BALANCE, Beginning	<u>24,000</u>	<u>24,000</u>	<u>26,212</u>	<u>2,212</u>
FUND BALANCE, Ending	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 24,638</u>	<u>\$ 20,638</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 13,100	\$ 13,100	\$ 29,358	\$ 16,258
Contributions	-	-	1,000	1,000
Interest on investments	-	-	1,387	1,387
TOTAL REVENUES	<u>13,100</u>	<u>13,100</u>	<u>31,745</u>	<u>18,645</u>
EXPENDITURES				
Current:				
Public safety:				
Personnel services	5,000	5,000	-	5,000
Materials and services	15,000	30,350	28,978	1,372
Contingency	20,000	4,650	-	4,650
TOTAL EXPENDITURES	<u>40,000</u>	<u>40,000</u>	<u>28,978</u>	<u>11,022</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(26,900)</u>	<u>(26,900)</u>	<u>2,767</u>	<u>29,667</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	11,632	(4,368)
TOTAL OTHER FINANCING SOURCES (USES)	<u>16,000</u>	<u>16,000</u>	<u>11,632</u>	<u>(4,368)</u>
NET CHANGE IN FUND BALANCE	(10,900)	(10,900)	14,399	25,299
FUND BALANCE, Beginning	<u>60,000</u>	<u>60,000</u>	<u>91,376</u>	<u>31,376</u>
FUND BALANCE, Ending	<u>\$ 49,100</u>	<u>\$ 49,100</u>	<u>\$ 105,775</u>	<u>\$ 56,675</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 372	\$ 372
Intergovernmental	10,710	10,710	3,159	(7,551)
Contributions	2,000	2,000	868	(1,132)
Fines and forfeitures	14,000	14,000	13,376	(624)
Rental income	-	-	2,185	2,185
Interest on investments	-	-	1,561	1,561
TOTAL REVENUES	<u>26,710</u>	<u>26,710</u>	<u>21,521</u>	<u>(5,189)</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Materials and services	10,460	10,460	4,885	5,575
TOTAL EXPENDITURES	<u>10,460</u>	<u>10,460</u>	<u>4,885</u>	<u>5,575</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>16,250</u>	<u>16,250</u>	<u>16,636</u>	<u>386</u>
NET CHANGE IN FUND BALANCE	16,250	16,250	16,636	386
FUND BALANCE, Beginning	<u>52,000</u>	<u>52,000</u>	<u>90,187</u>	<u>38,187</u>
FUND BALANCE, Ending	<u>\$ 68,250</u>	<u>\$ 68,250</u>	<u>\$ 106,823</u>	<u>\$ 38,573</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 131,930	\$ 131,930	\$ 175,142	\$ 43,212
TOTAL REVENUES	<u>131,930</u>	<u>131,930</u>	<u>175,142</u>	<u>43,212</u>
EXPENDITURES				
Current:				
Economic development:				
Materials and services	183,670	183,670	38,503	145,167
Debt service	110,780	110,780	110,779	1
TOTAL EXPENDITURES	<u>294,450</u>	<u>294,450</u>	<u>149,282</u>	<u>145,168</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(162,520)</u>	<u>(162,520)</u>	<u>25,860</u>	<u>188,380</u>
NET CHANGE IN FUND BALANCE	(162,520)	(162,520)	25,860	188,380
Budgetary basis adjustment	-	-	9,096	9,096
FUND BALANCE, Beginning	<u>262,520</u>	<u>262,520</u>	<u>328,429</u>	<u>65,909</u>
FUND BALANCE, Ending	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 363,385</u>	<u>\$ 263,385</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 320,000	\$ 320,000	\$ 306,603	\$ (13,397)
Intergovernmental	160,175	160,175	235,574	75,399
Contributions	258,580	258,580	194,000	(64,580)
Interest on investments	-	-	1,913	1,913
Miscellaneous	-	-	5,696	5,696
TOTAL REVENUES	<u>738,755</u>	<u>738,755</u>	<u>743,786</u>	<u>5,031</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Personnel services	336,650	336,650	313,372	23,278
Materials and services	368,525	368,525	344,069	24,456
Debt service	<u>258,580</u>	<u>258,580</u>	<u>258,580</u>	<u>-</u>
TOTAL EXPENDITURES	<u>963,755</u>	<u>963,755</u>	<u>916,021</u>	<u>47,734</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(225,000)</u>	<u>(225,000)</u>	<u>(172,235)</u>	<u>52,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>225,000</u>	<u>225,000</u>	<u>231,498</u>	<u>6,498</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>225,000</u>	<u>225,000</u>	<u>231,498</u>	<u>6,498</u>
NET CHANGE IN FUND BALANCE	-	-	59,263	59,263
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>148,622</u>	<u>148,622</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,885</u>	<u>\$ 207,885</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 907,465	\$ 907,465	\$ 763,196	\$ (144,269)
Contributions	-	-	7,960	7,960
System development charges	45,000	45,000	115,267	70,267
Interest on investments	35,000	35,000	148,212	113,212
Miscellaneous	-	-	100,000	100,000
TOTAL REVENUES	<u>987,465</u>	<u>987,465</u>	<u>1,134,635</u>	<u>147,170</u>
EXPENDITURES				
Current:				
General government:				
Materials and services	1,652,491	1,642,491	879,290	763,201
Capital outlay	10,053,026	10,343,206	3,428,353	6,914,853
Contingency	527,248	553,248	-	553,248
TOTAL EXPENDITURES	<u>12,232,765</u>	<u>12,538,945</u>	<u>4,307,643</u>	<u>8,231,302</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(11,245,300)</u>	<u>(11,551,480)</u>	<u>(3,173,008)</u>	<u>8,378,472</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	4,591,575	4,591,575	1,391,013	(3,200,562)
Transfers in	1,745,214	2,061,394	1,622,483	(438,911)
Interfund loan repayment	-	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,336,789</u>	<u>6,642,969</u>	<u>3,003,496</u>	<u>(3,639,473)</u>
NET CHANGE IN FUND BALANCE	(4,908,511)	(4,908,511)	(169,512)	4,738,999
Budgetary basis adjustment	-	-	10,000	10,000
FUND BALANCE, Beginning	<u>5,864,602</u>	<u>5,864,602</u>	<u>5,570,583</u>	<u>(294,019)</u>
FUND BALANCE, Ending	<u>\$ 956,091</u>	<u>\$ 956,091</u>	<u>\$ 5,411,071</u>	<u>\$ 4,454,980</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,805	\$ 2,805
Interest on investments	-	-	1,261	1,261
Miscellaneous	-	-	3,866	3,866
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>7,932</u>	<u>7,932</u>
EXPENDITURES				
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>22,424</u>	<u>27,576</u>
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>22,424</u>	<u>27,576</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(50,000)</u>	<u>(50,000)</u>	<u>(14,492)</u>	<u>35,508</u>
NET CHANGE IN FUND BALANCE	(50,000)	(50,000)	(14,492)	35,508
FUND BALANCE, Beginning	<u>50,000</u>	<u>50,000</u>	<u>82,677</u>	<u>32,677</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,185</u>	<u>\$ 68,185</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 648	\$ 648
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>648</u>	<u>648</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>648</u>	<u>648</u>
NET CHANGE IN FUND BALANCE	-	-	648	648
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>23,575</u>	<u>23,575</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,223</u>	<u>\$ 24,223</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
FUND BALANCE, Beginning	\$ -	\$ -	\$ 831	\$ 831
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 831</u>	<u>\$ 831</u>

See auditor's report.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 320,425	\$ 320,425	\$ 313,375	\$ (7,050)
TOTAL REVENUES	<u>320,425</u>	<u>320,425</u>	<u>313,375</u>	<u>(7,050)</u>
EXPENDITURES				
Debt service	<u>517,094</u>	<u>517,094</u>	<u>517,059</u>	<u>35</u>
TOTAL EXPENDITURES	<u>517,094</u>	<u>517,094</u>	<u>517,059</u>	<u>35</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(196,669)</u>	<u>(196,669)</u>	<u>(203,684)</u>	<u>(7,015)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>196,669</u>	<u>196,669</u>	<u>196,634</u>	<u>(35)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>196,669</u>	<u>196,669</u>	<u>196,634</u>	<u>(35)</u>
NET CHANGE IN FUND BALANCE	-	-	(7,050)	(7,050)
FUND BALANCE, Beginning	<u>180,000</u>	<u>180,000</u>	<u>178,505</u>	<u>(1,495)</u>
FUND BALANCE, Ending	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 171,455</u>	<u>\$ (8,545)</u>

See auditor's report.

BUDGETARY COMPARISON SCHEDULES

Proprietary Funds

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, 2019

	<u>Energy Services Fund</u>	<u>2016 FF&C Electric Fund</u>	<u>Total Energy Operations</u>
REVENUES			
Charges for services	\$ 9,105,483	\$ -	\$ 9,105,483
Interest on investments	<u>86,359</u>	<u>47,865</u>	<u>134,224</u>
TOTAL REVENUES	<u>9,191,842</u>	<u>47,865</u>	<u>9,239,707</u>
EXPENDITURES			
Current:			
Personal services	296,483	-	296,483
Materials and services	7,394,829	1,200	7,396,029
Capital outlay	619,013	439,229	1,058,242
Debt service	<u>1,070,545</u>	<u>-</u>	<u>1,070,545</u>
TOTAL EXPENDITURES	<u>9,380,870</u>	<u>440,429</u>	<u>9,821,299</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(189,028)</u>	<u>(392,564)</u>	<u>(581,592)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	450,000	-	450,000
Transfers out	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>450,000</u>	<u>(450,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	260,972	(842,564)	(581,592)
FUND BALANCE, Beginning	<u>2,709,055</u>	<u>2,032,066</u>	<u>4,741,121</u>
FUND BALANCE, Ending	<u>\$ 2,970,027</u>	<u>\$ 1,189,502</u>	4,159,529
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Prepaid items			3,673
Capital assets, net of depreciation			14,750,757
Deferred amounts on refunding			185,945
Deferred outflows - pension			112,808
Deferred outflows - OPEB			3,118
Other post employment benefits asset			1,743
Deferred inflows - pension			(29,641)
Deferred inflows - OPEB			(2,122)
Accrued interest payable			(37,706)
Net pension liability			(269,024)
Other post employment benefits liability			(11,631)
Long-term debt			<u>(15,121,678)</u>
NET POSITION, Ending			<u>\$ 3,745,771</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 8,575,975	\$ 8,712,475	\$ 9,105,483	\$ 393,008
Interest on investments	25,000	25,000	86,359	61,359
TOTAL REVENUES	<u>8,600,975</u>	<u>8,737,475</u>	<u>9,191,842</u>	<u>454,367</u>
EXPENDITURES				
Current:				
Personnel services	304,445	304,445	296,483	7,962
Materials and services	7,255,398	7,572,898	7,394,829	178,069
Capital outlay	821,175	1,271,175	619,013	652,162
Debt service	1,070,545	1,070,545	1,070,545	-
Contingency	844,412	663,412	-	663,412
TOTAL EXPENDITURES	<u>10,295,975</u>	<u>10,882,475</u>	<u>9,380,870</u>	<u>1,501,605</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,695,000)</u>	<u>(2,145,000)</u>	<u>(189,028)</u>	<u>1,955,972</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	450,000	450,000	-
Transfers out	(500,000)	(500,000)	-	500,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>(50,000)</u>	<u>450,000</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	(2,195,000)	(2,195,000)	260,972	2,455,972
FUND BALANCE, Beginning	<u>2,195,000</u>	<u>2,195,000</u>	<u>2,709,055</u>	<u>514,055</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,970,027</u>	<u>\$ 2,970,027</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)
2016 FF&C ELECTRIC FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 47,865	\$ 47,865
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>47,865</u>	<u>47,865</u>
EXPENDITURES				
Current:				
Materials and services	100,000	100,000	1,200	98,800
Capital outlay	<u>1,900,000</u>	<u>1,450,000</u>	<u>439,229</u>	<u>1,010,771</u>
TOTAL EXPENDITURES	<u>2,000,000</u>	<u>1,550,000</u>	<u>440,429</u>	<u>1,109,571</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,000,000)</u>	<u>(1,550,000)</u>	<u>(392,564)</u>	<u>1,157,436</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,000,000)	(2,000,000)	(842,564)	1,157,436
FUND BALANCE, Beginning	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,032,066</u>	<u>32,066</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,189,502</u>	<u>\$ 1,189,502</u>

See auditor's report.

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
UTILITY OPERATIONS COMBINED
For the Fiscal Year Ended June 30, 2019

	<u>Utility Fund</u>	<u>2017 FF&C Sewer and Water Fund</u>	<u>Total Utility Operations</u>
REVENUES			
Charges for services	\$ 7,349,897	\$ -	\$ 7,349,897
Interest on investments	<u>10,229</u>	<u>13,193</u>	<u>23,422</u>
TOTAL REVENUES	<u>7,360,126</u>	<u>13,193</u>	<u>7,373,319</u>
EXPENDITURES			
Current:			
Sewer	2,311,664	-	2,311,664
Water	1,889,211	-	1,889,211
Capital outlay	19,896	1,221,660	1,241,556
Debt service	<u>2,037,629</u>	<u>-</u>	<u>2,037,629</u>
TOTAL EXPENDITURES	<u>6,258,400</u>	<u>1,221,660</u>	<u>7,480,060</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,101,726</u>	<u>(1,208,467)</u>	<u>(106,741)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,000	15,000
Transfers out	<u>(363,000)</u>	<u>-</u>	<u>(363,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(363,000)</u>	<u>15,000</u>	<u>(348,000)</u>
NET CHANGE IN FUND BALANCE	738,726	(1,193,467)	(454,741)
FUND BALANCE, Beginning	<u>921,816</u>	<u>1,194,955</u>	<u>2,116,771</u>
FUND BALANCE, Ending	<u>\$ 1,660,542</u>	<u>\$ 1,488</u>	1,662,030
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Prepaid items			52,420
Capital assets, net of depreciation			44,527,326
Deferred outflows - OPEB			954,907
Deferred outflows - OPEB			38,077
Other post employment benefits asset			14,758
Deferred inflows - pension			(250,913)
Deferred inflows - OPEB			(25,995)
Accrued interest payable			(203,920)
Compensated absences			(93,391)
Net pension liability			(2,277,267)
Other post employment benefits liability			(155,912)
Long-term debt			<u>(25,787,847)</u>
NET POSITION, Ending			<u>\$ 18,454,273</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)
UTILITY FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 5,953,500	\$ 5,953,500	\$ 7,349,897	\$ 1,396,397
Interest on investments	3,000	3,000	10,229	7,229
Miscellaneous	20,000	20,000	-	(20,000)
TOTAL REVENUES	<u>5,976,500</u>	<u>5,976,500</u>	<u>7,360,126</u>	<u>1,383,626</u>
EXPENDITURES				
Sewer	2,199,120	2,325,590	2,331,560	(5,970)
Water	2,314,004	2,130,719	1,889,211	241,508
Debt service	2,037,629	2,037,629	2,037,629	-
TOTAL EXPENDITURES	<u>6,550,753</u>	<u>6,493,938</u>	<u>6,258,400</u>	<u>235,538</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(574,253)</u>	<u>(517,438)</u>	<u>1,101,726</u>	<u>1,619,164</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(158,000)	(363,000)	(363,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(158,000)</u>	<u>(363,000)</u>	<u>(363,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(732,253)	(880,438)	738,726	1,619,164
FUND BALANCE, Beginning	<u>732,253</u>	<u>880,438</u>	<u>921,816</u>	<u>41,378</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,660,542</u>	<u>\$ 1,660,542</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)
2017 FF&C SEWER AND WATER FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 13,193	\$ 13,193
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>13,193</u>	<u>13,193</u>
EXPENDITURES				
Capital outlay	1,410,800	1,425,800	1,221,660	204,140
TOTAL EXPENDITURES	<u>1,410,800</u>	<u>1,425,800</u>	<u>1,221,660</u>	<u>204,140</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,410,800)</u>	<u>(1,425,800)</u>	<u>(1,208,467)</u>	<u>217,333</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	15,000	15,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,410,800)	(1,410,800)	(1,193,467)	217,333
FUND BALANCE, Beginning	<u>1,410,800</u>	<u>1,410,800</u>	<u>1,194,955</u>	<u>(215,845)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,488</u>	<u>\$ 1,488</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)
REGIONAL WATER FUND
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 755,000	\$ 755,000	\$ 931,193	\$ 176,193
Interest on investments	-	-	5,127	5,127
Miscellaneous	781,180	781,180	864,223	83,043
TOTAL REVENUES	<u>1,536,180</u>	<u>1,536,180</u>	<u>1,800,543</u>	<u>264,363</u>
EXPENDITURES				
Current:				
Personnel services	210,175	210,175	208,731	1,444
Materials and services	1,493,955	1,643,955	1,550,764	93,191
Contingency	523,450	317,270	-	317,270
TOTAL EXPENDITURES	<u>2,227,580</u>	<u>2,171,400</u>	<u>1,759,495</u>	<u>411,905</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(691,400)</u>	<u>(635,220)</u>	<u>41,048</u>	<u>676,268</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(56,180)	(56,180)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(56,180)</u>	<u>(56,180)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(691,400)	(691,400)	(15,132)	676,268
FUND BALANCE, Beginning	<u>691,400</u>	<u>691,400</u>	<u>355,581</u>	<u>(335,819)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	340,449	<u>\$ 340,449</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Prepaid items			4,617	
Capital assets, net of depreciation			8,065,559	
Deferred outflows - pension			92,954	
Deferred outflows - OPEB			2,860	
Other post employment benefits asset			1,437	
Deferred inflows - pension			(24,425)	
Deferred inflows - OPEB			(1,948)	
Net pension liability			(221,677)	
Other post employment benefits liability			(11,017)	
NET POSITION, Ending			<u>\$ 8,248,809</u>	

See auditor's report.

STATISTICAL SECTION

STATISTICAL SECTION

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

Financial Trends

- 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 10,528,230	\$ 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
Restricted	1,464,314	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
Unrestricted	6,952,059	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)
Total governmental activities net position	\$ 18,944,603	\$ 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
Business-type activities										
Net investment in capital assets	\$ 13,514,719	\$ 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
Restricted	-	-	-	-	4,766,504	910,400	-	-	-	-
Unrestricted	6,377,130	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
Total business-type activities net position	\$ 19,891,849	\$ 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
Primary government										
Net investment in capital assets	\$ 24,042,949	\$ 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
Restricted	1,464,314	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
Unrestricted	13,329,189	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
Total primary government net position	\$ 38,836,452	\$ 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

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

Expenses	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ 2,143,638	\$ 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
Public safety	3,354,236	3,296,096	3,577,922	4,016,606	4,206,167	3,435,296	6,245,648	5,309,128	5,539,752	5,661,003
Highways and streets	1,069,663	946,193	961,303	1,011,422	1,137,768	900,581	1,333,965	1,119,273	1,405,178	2,281,464
Economic development	129,900	15,500	-	-	-	77,207	82,723	309,524	441,929	148,570
Culture and recreation	2,536,414	2,471,410	2,546,523	2,740,214	2,574,869	3,314,985	4,850,208	2,625,872	4,590,328	4,730,222
Interest on long-term debt	147,203	145,981	144,209	88,388	79,275	164,052	159,589	174,004	274,552	255,568
Total governmental activities expenses	9,371,054	8,994,330	9,304,291	10,219,503	10,234,053	10,120,294	15,834,707	12,409,402	15,591,330	15,494,762
Business-type activities:										
Water	2,404,046	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
Sewer	1,471,120	1,407,654	1,424,785	1,688,417	1,839,835	1,932,688	3,456,671	4,538,393	3,130,807	3,637,673
Electric Operations	5,962,822	6,600,863	6,852,879	7,081,396	7,484,555	7,380,813	7,663,289	7,863,889	8,061,520	8,311,917
Total business-type activities expenses	10,437,988	10,785,382	11,299,057	11,195,135	12,283,287	11,721,188	14,760,646	16,167,821	15,154,487	16,029,138
Total primary government expenses	\$ 19,809,042	\$ 19,779,712	\$ 20,603,348	\$ 21,414,638	\$ 22,517,340	\$ 21,841,482	\$ 30,595,353	\$ 28,577,223	\$ 30,745,817	\$ 32,523,900
Program Revenues										
Governmental activities:										
Charges for services	\$ 987,958	\$ 665,312	\$ 551,825	\$ 635,560	\$ 846,514	\$ 593,195	\$ 612,955	\$ 644,829	\$ 623,338	\$ 639,535
General government	825,617	819,888	762,125	827,126	777,567	911,960	952,067	776,501	809,235	677,931
Public Safety	617,699	638,879	673,172	701,662	618,789	899,689	648,763	578,159	823,542	1,050,747
Cultural and recreation	-	-	-	-	-	195,851	320,511	289,107	534,812	446,697
Economic development	231,061	503,157	93,004	91,517	82,624	1,160,072	1,621,506	1,723,329	1,806,494	1,878,875
Operating grants and contributions	236,413	199,858	376,926	401,383	673,801	3,025,592	8,620,793	8,835,737	4,481,709	1,385,740
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	2,898,748	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
Business-type activities:										
Charges for services	2,824,003	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
Water	1,702,048	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
Sewer	7,346,110	7,331,855	7,269,190	7,184,851	7,363,082	7,397,090	8,124,700	8,582,818	8,854,864	9,105,483
Electricity	-	-	-	-	-	185,549	1,638,740	-	1,063,494	864,233
Capital grants and contributions	11,872,161	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
Total business-type activities program revenues	11,872,161	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
Total primary government program revenues	\$ 14,770,909	\$ 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
Net (expense)/revenue										
Governmental activities	(6,472,306)	(6,167,235)	(6,847,239)	(7,562,255)	(7,224,758)	(3,534,025)	(3,060,112)	(7,561,740)	(6,512,200)	(10,317,237)
Business-type activities	1,434,173	1,137,920	577,331	802,962	70,418	1,362,379	865,713	(1,632,065)	1,290,730	2,221,658
Total primary government net expense	\$ (5,038,133)	\$ (5,029,315)	\$ (6,269,908)	\$ (6,759,293)	\$ (7,154,340)	\$ (2,171,646)	\$ (2,194,399)	\$ (9,193,805)	\$ (5,221,470)	\$ (8,095,579)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes	4,766,382	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
Property taxes	412,427	389,756	396,169	384,155	409,002	929,148	972,207	1,209,024	1,518,744	1,723,549
Franchise fee and transient room taxes	1,467,929	1,620,174	1,822,732	1,897,998	2,189,440	467,937	-	-	-	-
Public service taxes	10,873	14,570	4,109	21,485	130,246	87,699	85,479	53,797	76,779	271,816
Interest on investment earnings	-	-	-	845,921	(98,357)	54,909	-	-	-	-
Change in joint venture net position	578,011	439,541	464,493	552,843	227,062	185,408	112,643	204,440	396,412	982,393
Other revenues	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	182,056	(28,473)	(359,513)	864,438	(34,068)	1,065,243	(404,760)	363,202	324,231	(1,573,746)
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	\$ 7,417,678	\$ 7,229,449	\$ 7,197,841	\$ 9,505,602	\$ 7,784,473	\$ 8,019,060	\$ 6,090,319	\$ 7,282,485	\$ 8,239,439	\$ 7,594,704
Business-type activities:										
Interest on investment earnings	21,272	18,027	7,079	10,648	40,590	76,640	56,851	21,418	109,788	162,773
Other revenues	145,606	196,320	131,056	151,859	217,916	141,668	118,975	-	-	-
Transfers	(182,056)	28,473	359,513	(864,438)	34,068	(1,065,243)	404,760	(363,202)	(324,231)	1,573,746
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Total business-type activities	(15,178)	242,820	497,648	(701,931)	292,579	(846,935)	580,586	(341,784)	(214,443)	1,736,519
Total primary government	\$ 7,402,500	\$ 7,472,269	\$ 7,695,489	\$ 8,803,671	\$ 8,077,052	\$ 7,172,125	\$ 6,670,805	\$ 6,940,681	\$ 8,024,996	\$ 9,331,223
Change in Net Position										
Governmental activities	945,372	1,062,213	350,602	1,943,347	559,715	4,485,035	3,030,207	(279,275)	1,727,239	(2,722,533)
Business-type activities	1,418,995	1,380,740	1,074,879	101,031	362,897	515,444	1,446,299	(1,973,849)	1,076,287	3,858,177
Total primary government	\$ 2,364,367	\$ 2,442,953	\$ 1,425,581	\$ 2,044,378	\$ 922,712	\$ 5,000,479	\$ 4,476,506	\$ (2,253,124)	\$ 2,803,526	\$ 1,235,644

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,838	\$ 30,031	\$ 20,936
Restricted	-	-	-	-	-	-	-	82,415	82,415	82,415
Assigned	-	55,000	-	1,859,278	1,502,800	1,553,269	207,250	-	-	-
Unassigned	4,019,854	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
Total general fund	\$ 4,019,854	\$ 5,077,820	\$ 5,576,960	\$ 4,871,214	\$ 4,707,234	\$ 5,066,753	\$ 4,709,050	\$ 4,102,771	\$ 3,412,603	\$ 3,066,526
All other governmental funds										
Reserved	\$ 21,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	4,086,817	-	-	-	-	-	-	-	-	-
Debt service funds	154,946	-	-	-	-	-	-	-	-	-
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
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
Assigned	-	-	-	-	-	-	-	42,051	44,725	9,136
Unassigned	-	-	-	-	-	-	-	(92,255)	-	-
Total all other governmental funds	\$ 4,263,129	\$ 4,677,047	\$ 4,647,522	\$ 8,002,398	\$ 8,401,168	\$ 8,335,810	\$ 7,447,650	\$ 9,370,815	\$ 7,907,258	\$ 8,016,464
Total all funds	\$ 8,282,983	\$ 9,754,867	\$ 10,224,482	\$ 12,873,612	\$ 13,108,402	\$ 13,402,563	\$ 12,156,700	\$ 13,473,586	\$ 11,319,861	\$ 11,102,990

* Government Accounting Standards Board Statement 54 changed the reporting requirements for fund balances. The City has not restated periods prior to June 30, 2011

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 4,749,689	\$ 4,784,927	\$ 4,844,816	\$ 4,978,359	\$ 5,038,051	\$ 5,250,162	\$ 5,307,456	\$ 5,456,324	\$ 5,926,552	\$ 6,187,004
Transient room tax	363,115	364,064	413,789	441,185	588,111	515,452	558,871	782,067	984,071	926,586
Licenses & franchise fees	417,007	395,146	401,519	389,510	413,657	413,896	413,336	421,448	534,674	748,700
Charges for services	1,605,657	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
Intergovernmental	982,270	1,139,283	1,296,845	1,334,755	1,471,670	1,638,379	1,690,476	2,811,297	5,227,059	3,160,150
Fines and forfeits	821,037	703,996	650,872	718,828	666,095	802,025	838,433	644,598	644,247	509,026
Investment interest	10,873	14,455	4,109	21,485	130,246	87,899	85,479	53,797	76,780	271,816
Miscellaneous	1,045,485	1,137,166	934,423	1,043,797	992,713	3,144,751	6,784,708	350,195	961,443	802,736
Total revenues	10,117,677	10,075,947	9,989,371	10,490,142	11,002,322	13,506,623	17,444,317	12,086,625	16,311,110	14,974,410
Expenditures										
General government	\$ 2,084,450	\$ 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
Public safety	3,273,451	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
Highways and streets	715,241	611,728	580,281	618,522	733,546	635,584	689,398	660,187	1,059,168	974,221
Economic development	129,900	15,500	-	-	-	77,207	82,723	411,483	441,929	148,571
Culture and recreation	2,229,770	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
Capital outlay	284,884	376,545	681,704	864,410	1,033,467	4,124,944	7,820,601	3,884,238	7,791,443	1,493,196
Debt service										
Principle	45,000	45,000	55,000	60,000	135,000	330,000	335,000	340,000	723,386	744,456
Interest	147,309	145,981	144,363	72,907	96,085	183,523	177,635	171,590	286,237	276,866
Total expenditures	8,890,005	8,575,590	9,160,243	10,199,978	10,594,021	13,855,643	18,459,313	15,022,009	21,693,684	15,640,855
Excess of revenues over (under) expenditures	1,227,672	1,500,357	829,128	290,164	408,301	(349,020)	(1,014,996)	(2,935,384)	(5,382,574)	(666,445)
Other financing sources (uses)										
Transfers in	1,312,658	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
Transfers out	(1,130,602)	(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)
Change in joint venture fund balance	-	-	-	1,492,562	(195,218)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	3,595,000	-	1,431,613
Bond premium	-	-	-	-	-	-	-	119,939	-	-
Extraordinary item	-	-	-	-	-	-	-	-	-	591,706
Total other financing sources (uses)	182,056	(28,473)	(359,513)	2,357,020	(229,286)	2,059,544	(271,667)	4,252,272	1,137,891	449,573
Net change in fund balances	\$ 1,409,728	\$ 1,471,884	\$ 469,615	\$ 2,647,184	\$ 179,015	\$ 1,710,524	\$ (1,286,663)	\$ 1,316,898	\$ (4,244,683)	\$ (216,872)
Debt service as a percentage of non-capital expenditures (Debt/Other Exp-Capital Additions)	2.23%	2.33%	2.35%	1.42%	2.42%	3.82%	3.52%	3.79%	7.33%	6.90%

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
2010	686,490,033	32,572,030	26,156,840	745,218,903	6.61	946,100,371	78.77%
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	28,581,490	877,013,556	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	0.00	1,225,505,098	86.16%

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, 2019**

	Fiscal Year Ended June 30, 2019									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Direct rates										
City of Hermiston - general	6.02	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09
City of Hermiston - bond	0.32	0.34	0.30	0.30	0.38	0.40	0.35	0.46	0.51	0.52
Hermiston Urban Renewal District	0.19	0.43	0.43	0.43	0.43	-	-	-	-	-
Total direct rates	<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>	<u>6.61</u>
Overlapping rates										
Umatilla County	2.82	2.85	2.85	3.04	3.03	3.06	3.10	3.11	3.11	3.11
Hermiston School District #8	8.93	9.00	8.94	8.97	9.02	9.02	9.01	8.98	9.12	9.26
Intermountain E.S.D.	0.61	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.56	0.56
Blue Mountain Community College	0.65	0.66	0.66	0.66	0.66	0.95	0.96	0.96	0.97	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
Hermiston Fire and Emergency Services District #7-404	1.73	1.75	1.75	1.20	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	-	-
West Umatilla Mosquito Control District	0.20	0.29	0.29	0.28	0.24	0.38	0.29	0.29	0.29	0.34
Total overlapping rates	<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>	<u>15.68</u>
Total Rates	<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>	<u>22.29</u>

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

Taxpayer	2010			2019		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
WAL-MART STORES EAST LP	31,977,060	1	4.50%	32,153,740	1	3.82%
PIONEER HI BRED			0.00%	24,946,900	2	2.96%
CHARTER COMMUNICATIONS			0.00%	10,886,800	3	1.29%
TETON VENTURE LLC & TRIUMPH PROPERTY			0.00%	9,007,380	4	1.07%
PIONEER HIBRED INTERNATIONAL INC.			0.00%	9,763,720	5	1.16%
WAL-MART/SAMS CLUB -BPP USO6037			0.00%	10,256,060	6	1.22%
WAL-MART REAL ESTATE BUSINESS TRU	7,133,630	7	1.00%	9,099,910	7	1.08%
CMH MANUFACTURING WEST, INC			0.00%	6,926,140	8	0.82%
HERMISTON PARTNRS 1 LLC			0.00%	7,137,520	9	0.85%
UMATILLA ELECTRIC CO-OP ASSN	6,404,010	9	0.90%	7,128,240	10	0.85%
CDS HERMISTON, LLC			0.00%			0.00%
HD DEVELOPMENT OF MARYLAND, INC	9,607,710	2	1.40%			0.00%
RETAIL TRUST #2	8,745,590	3	1.20%	-		0.00%
WAL-MART DISTRIBUTION CENTER #6037	8,537,130	4	1.20%			0.00%
GOOD SHEPHERD HOSPITAL	8,331,460	5	1.20%			0.00%
HERMISTON STATION, LLC	7,593,870	6	1.10%	-		0.00%
HERMISTON FOODS LLC	6,698,400	8	0.90%			0.00%
QWEST INC.	5,769,500	10	0.80%	-		0.00%
Totals	100,798,360		14.20%	127,306,410		15.13%

Source: Umatilla County Assessment and Taxation

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

Tax Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in subsequent years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	4,863,080	4,509,768	92.7%	350,536	4,860,304	100.0%
2011	4,938,735	4,586,786	92.9%	351,949	4,938,454	100.0%
2012	4,997,696	4,641,447	92.9%	357,952	4,997,696	100.0%
2013	5,035,471	4,719,222	93.7%	298,836	5,018,058	99.7%
2014	5,073,454	4,760,155	93.8%	149,225	4,909,380	96.8%
2015	5,351,320	5,024,002	93.9%	161,246	5,185,248	96.9%
2016	5,454,892	5,145,592	94.3%	154,360	5,299,952	97.2%
2017	5,413,837	5,180,279	95.7%	139,348	5,319,627	98.3%
2018	6,049,818	5,685,934	94.0%	88,563	5,774,497	95.4%
2019	6,017,553	5,648,487	93.9%	-	5,648,487	93.9%

DEBT CAPACITY

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

Fiscal Year	Governmental Activities				Business - Type Activities				Percentage of		
	General Obligation Bonds	Notes Payable	Revenue Bonds	Refunding Bonds	Notes Payable	Other Notes	Total Primary Government	Personal Income	Per Capita	Population	
2010	3,365,000	-	12,910,000	5,506,375	1,728,529	-	23,509,904	N/A	1450	16,215	
2011	3,320,000	-	12,730,000	5,100,241	2,151,619	-	23,301,860	N/A	1387	16,795	
2012	3,265,000	-	12,530,000	4,626,731	945,637	-	21,367,368	N/A	1267	16,865	
2013	3,260,000	-	12,305,000	4,116,262	4,259,869	-	23,941,131	N/A	1409	16,995	
2014	3,125,000	-	16,770,000	3,624,471	16,231,556	-	39,751,027	N/A	2306	17,240	
2015	5,758,275	-	17,273,873	-	21,142,806	*	44,174,954	N/A	2521	17,520	
2016	5,407,021	-	16,669,541	-	20,719,793	-	42,796,355	N/A	2414	17,730	
2017	8,763,957	-	24,629,300	-	19,864,333	-	53,257,590	N/A	2971	17,925	
2018	8,256,706	491,614	23,742,978	-	18,985,572	-	51,476,870	N/A	2862	17,985	
2019	7,734,455	1,678,771	22,826,656	-	18,082,872	-	50,322,754	N/A	2765	18,200	

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita	Population (1)	Assessed Value (2)
2010	3,365,000	149,855	3,215,145	0.43%	198	16,215	745,218,903
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

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

Sources:

- (1) United States Census
- (2) County Assessment and Taxation
- N/A - Not Available

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	
2010	3,948,873	2,520,714	1,428,159	228,428	97,299	4.38
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

Fiscal Year	Electric			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2010	7,444,817	5,479,412	1,965,405	160,000	582,778	2.65
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	-	628,805	2.60
2018	8,854,864	7,118,702	1,736,162	590,000	480,520	1.62
2019	9,105,483	7,208,292	1,897,191	605,000	465,545	1.77

The Utility fund had unusual expenses of about \$1.4 million to clean out the sewer lagoon in 2017, which is not budgeted to recur in 2018 and the 2007 revenue bonds were paid in full.

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

CITY OF HERMISTON , OREGON
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to the City
Umatilla County	\$ 779,662	15.18%	\$ 118,353
Umatilla County School District #8 (Hermiston)	72,578,463	44.07%	34,965,264
Umatilla County School District #61 (Stanfield)	2,506,635	9.97%	316,331
Port of Umatilla	625,574	15.18%	101,177
East Umatilla RFPD	90,000	32.57%	36,934
Blue Mountain Community College	27,355,000	8.40%	2,465,906
UmatillaRFPD 7-405	1,720,000	35.74%	603,765
Total overlapping debt	<u>105,655,334</u>		<u>38,607,730</u>
City direct debt	<u>9,413,226</u>	100.00%	<u>9,413,226</u>
Total direct and overlapping debt	<u>\$ 115,068,560</u>		<u>\$ 48,020,956</u>

Source: State of Oregon, Debt Management Division

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. The State of Oregon provided overlapping debt data on real market valuation of properties for each jurisdiction.

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

True Cash Value (1)	\$ 1,225,505,098
	<u> x 3%</u>
General Obligation Debt Limit (2)	36,765,153
Gross bonded debt subject to limitation	1,540,000
Legal debt margin available for future indebtedness	\$ 35,225,153
Total net debt applicable to the limit as a percentage of debt limit	4.37%

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
2010	946,100,367	28,383,011	-	\$ 28,383,011	0.00%
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	11.54%
2013	941,918,800	28,257,564	2,975,000	\$ 25,282,564	10.53%
2014	935,091,901	28,052,757	2,750,000	\$ 25,302,757	9.80%
2015	986,977,008	29,609,310	2,520,000	\$ 27,089,310	8.51%
2016	1,033,085,828	30,992,575	2,285,000	\$ 28,707,575	7.37%
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%

Sources:

(1) From Umatilla County Assessment and Taxation

(2) ORS 257.004 provides a debt limit of 3% of the true cash value of all taxable property within the City boundaries

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Fiscal Year	Population (1)	Umatilla County Per Capita Income	Total Personal Income	Unemployment Rate Umatilla County (2)
2010	16,215	29,554	479,218,110	10.5%
2011	16,795	30,701	515,623,295	9.7%
2012	16,865	32,901	554,875,365	9.0%
2013	16,995	*	*	8.8%
2014	17,240	*	*	7.9%
2015	17,520	*	*	6.3%
2016	17,730	*	*	5.9%
2017	17,925	*	*	5.6%
2018	17,985	*	*	4.6%
2019	18,200	*	*	4.3%

Notes:

N/A - Not Available

Sources:

(1) Portland State University Center of Population and Research

(2) Oregon State Employment Division

* = Figure was not available.

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

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Con-Agra Foods	1,320	1	9.50%	1000	2	8.80%
Wal-Mart Distribution	859	2	8.75%	800	4	7.00%
Good Shepherd Medical Center	572	3	6.25%	465	7	4.10%
River Point Farms	550	4	6.00%	650	6	5.70%
Hermiston School District	519	5	5.75%	455	8	4.00%
Shearers	450	6	5.25%	N/A		N/A
Wal-Mart Supercenter	400	7	5.00%	400	9	3.50%
Marlette Homes	249	8	3.00%	N/A		N/A
Medelez Trucking	200	9	2.50%	N/A		N/A
Safeway	110	10	1.90%	N/A		N/A
	<u>5,229</u>		<u>53.90%</u>	<u>3,770</u>		<u>33.10%</u>

Source:
 Hermiston Chamber of Commerce

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

Full-time Equivalent Employees as of December 31

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	6.5	5.89	7.97	8.17	9.66	9.52	10.72	10.77	11.44	11.94
Public Safety	33	33	36	35.1	35.5	30.5	30.5	30.5	30.5	31
Highways and streets	5.6	5.83	5.34	5.65	6.33	6.47	5.33	5.33	6.69	7.19
Culture and recreation	23.5	27.3	28.72	24.95	23.8	23	23.5	23.5	25.5	27
Water	10	9.92	10.62	10.66	10.59	10.63	10.63	10.63	11.18	11.18
Sewer	11	8.59	11.28	11.62	11.26	11.3	11.3	11.3	10.85	11.35
Electric	2.4	2.54	2.33	2.31	2.38	2.31	2.31	2.31	2.32	2.31
Total	92	93.07	102.26	98.46	99.52	93.73	94.29	94.34	98.48	101.97

Source: City Administration Department

OPERATING INFORMATION

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

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
General Government										
Number of Senior Citizen Taxi Program Tickets Sold	32,073 **	31,108 **	30,234 **	30,706 **	30,306 **	27,095 **	21,336 **	16,066 **	19,133 **	21,299 **
Number of building inspections										
Public Safety										
Total Police Incidents	33,621	27,085	26,149	24,114	23,878	23,237	23,193	20,587	23,916	21,149
Officer initiated	19,893	12,283	10,476	9,335	9,160	13,205	13,097	10,457	12,570	9,693
Calls for police services	13,728	14,802	15,673	14,779	14,718	10,032	10,096	10,130	11,346	11,456
Number of traffic stops	6,397	4,778	4,932	5,113	4,227	6,596	6,699	4,595	5,384	4,337
Highways and streets										
Estimated miles of streets swept	5,237	6,200	4,964	3,205	3,301	3,541	3,486	3,506	3,506	3,506
Cultural and recreation										
Number of library items checked out	100,412	86,997	84,388	83,791	82,195	80,327	67,243	68,738	92,134	74,959
Number of library patrons	8,773	9,565	10,462	11,064	12,700	9,279	10,447	10,991	11,911	9,640
Business-type activities										
Water										
Number of accounts	4,543	4,707	4,751	4,801	4,828	4,912	5,001	5,000	5,221	5,312
Annual consumption (in billions of gallons)	3,729	3,377	2,605	2,900	3,529	2,638	3,261	1,764	1,448	1,339
Sewer										
Number of accounts	4,428	4,449	4,504	4,540	4,585	4,665	4,736	4,801	4,885	4,989
Electricity										
Number of accounts	5,296	5,263	5,291	5,337	5,171	5,189	5,277	5,317	5,335	5,366
KWH sold	108,284,994	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

Notes:
 Source: City Departments
 ** No longer Tracking information

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

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
General government										
Administrative buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Car	11	12	15	13	11	10	10	11	11	10
Bus	-	-	-	-	-	-	-	-	-	-
Motorcycles	2	2	2	2	1	1	1	1	1	-
Highways and streets										
Streets (miles)	62	62	62	64	64	73	73	73	74	75
Culture and recreation										
Library Collections:										
Printed materials	34,973	35,578	35,714	34,716	33,361	33,457	35,229	35,476	30,930	31,548
Audio materials	1,665	1,813	1,768	1,547	1,610	1,670	1,765	1,803	1,598	1,383
Video materials	1,707	1,961	1,734	1,725	1,782	1,733	2,082	1,955	1,929	1,819
Electronic materials	3,451	3,412	3,451	3,451	3,452	3,452	32,984	68,879	72,483	76,240
Business-type activities										
Water										
Miles of city water line	69	69	69	76	76	77	77	77	77	77
Miles of regional water system water line	14	14	14	14	17	17	17	17	17	17
City wells	6	6	6	6	5	5	5	5	5	5
Sewer										
Storm water pump station: sewage pump stations	*	*	3	3	3	3	3	3	3	3
Clarifiers/sludge storage	4	4	4	4	4	4	5	5	5	5
Gravity thickeners	1	1	1	1	1	1	-	-	-	-
Electric										
Miles of overhead line	37	37	37	37	37	37	158	158	158	159
Miles of underground line	27	28	28	28	28	28	28	29	29	29
Transformers	1,321	1,381	1,397	1,359	1,415	1,435	1,834	1,472	1,893	1,907

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

GENERAL FUND ACTUAL OR BUDGETED
(Fiscal Years Ending June 30)

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Budgeted 2020
Revenues					
Taxes	5,021,221	5,167,756	5,481,750	5,698,487	5,890,000
Licenses & Franchises	822,166	847,815	1,094,565	1,366,781	1,293,170
Fines & Penalties	583,006	450,653	450,006	350,087	350,000
Use of City Money	45,719	22,958	5,199	96,409	35,000
From Other Agencies	442,492	585,466	636,087	598,678	611,782
Service Charges	1,455,283	1,433,221	1,743,742	2,099,578	1,988,100
Non-Revenue Receipts	89,334	1,500	91,458	778,152	45,000
Miscellaneous Revenues	105,912	198,094	292,676	136,992	131,500
Interfund Transfers	710,651	789,814	743,274	525,578	706,950
Interfund Loan Proceeds	55,000	160,491	111,429	11,166	11,167
Cash Forward	4,813,537	4,709,051	4,102,771	3,388,050	1,926,896
Total Revenues	14,144,321	14,366,819	14,752,957	15,049,958	12,989,565
Expenditures					
City Council	30,797	60,354	55,027	62,013	64,165
Manager/Planning	403,542	441,466	471,724	529,770	567,280
Finance	53,195	75,940	121,123	124,519	128,170
Legal Counsel	188,271	88,231	113,767	104,998	141,900
Court	245,564	416,905	421,910	394,084	474,620
Transportation	132,586	240,555	244,876	274,514	420,900
Airport	203,558	177,944	245,689	262,041	318,600
Building Inspections	337,484	358,449	371,201	412,347	429,700
Parks	452,403	471,883	490,600	678,054	653,765
Parks/Utility Landscaping	24,622	21,123	43,314	42,350	55,165
Municipal Pool	376,766	349,886	412,062	520,747	549,375
Municipal Buildings	10,166	16,255	90,650	117,367	129,065
Library	642,882	663,355	739,616	759,523	871,130
Recreation	507,756	531,450	688,240	698,762	712,185
Community Center	-	-	-	163,705	191,010
Harkenrider Center	-	-	-	47,028	56,335
Public Safety Center	104,056	70,629	75,784	99,389	74,000
Police Operations	4,149,418	4,351,520	4,655,865	4,887,986	5,528,190
Non-departmental	1,682,205	1,768,941	1,988,090	1,830,485	1,624,010
Interfund Loan	90,000	100,000	-	-	-
Unappropriated Balance	-	-	-	-	-
Total Expenditures	9,635,271	10,204,886	11,229,538	12,009,682	12,989,565

AVERAGE NUMBER OF CUSTOMERS
TOTAL ANNUAL CONSUMPTION
(1,000 Gallons)

Year	Residential	Commercial	Total	Year	Total
2019	4,801	414	5,215	2019	1,339
2018	4,732	393	5,125	2018	1,448
2017	4,613	387	5,000	2017	1,784
2016	4,531	390	4,921	2016	3,261
2015	4,523	389	4,912	2015	2,638
2014	4,439	364	4,823	2014	2,679
2013	4,415	381	4,796	2013	1,473
2012	4,363	383	4,746	2012	1,444
2011	4,321	381	4,702	2011	2,140

LARGEST CUSTOMERS OF THE WATER SYSTEM 2019

Customer	Industry	(1) Total Gallons	Percent of Total Consumption	Annual Water Revenue	(4) Percent of Total Operating
Good Shepherd Medical Village Park	Medical	37,872,500	2.83%	69,461	1.81%
Five Star Auto Wash	Mobile Home Park	26,276,300	1.96%	76,519	1.99%
Chateaubri Mobile Home Park	Car Wash	10,618,500	0.79%	22,120	0.58%
Sandstone Middle School	Mobile Home Park	16,231,700	1.21%	47,932	1.25%
Aspens Apts	School	7,219,400	0.54%	11,314	0.29%
Viewcrest Apartments	Apartments	6,806,300	0.51%	19,028	0.49%
Foxwood Homes	Apartments	6,760,200	0.50%	21,915	0.57%
Sterling Ridge	Apartments	6,000,200	0.45%	19,771	0.51%
Bliss Homes	Apartments	5,811,100	0.43%	20,943	0.54%
		129,221,000	9.65%	324,184	8.43%

(1) Consumption in gallons, rounded to nearest hundred, based on 2019 water consumption. Total consumption for 2019 was 1,339,556,500.

(2) Based on 2019 audited Water System total operating revenue of \$3,845,720

(3) Hermiston Foods Inc, a wholly owned subsidiary of Norpac Foods, operates a \$10 million processing plant within the City boundaries

The plant processes peas, dry beans, carrots, and similar vegetable crops. The plant is a state of the art facility which began operations in 1990

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City of Hermiston
Water Rates and Charges

	Water Rates Effective as of										RECENT HISTORICAL WATER RATE CHANGES				
	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	10/1/2017	3/1/2018	3/1/2019	2010	2014	2015	2017	2018	2019
Consumption	15.24	15.85	16.48	17.14	17.14	18.00	18.9	19.82	0.00	0.00	0.00	0.00	0.00	0.50	N/A
First 3,000 gallons (minimum charge)	1.15	1.20	1.25	1.30	1.30	1.37	1.43	1.5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Each 1,000 gal over 3,000 up to and including 13,000 gal	0.96	1.00	1.03	1.08	1.08	1.13	1.19	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Each 1,000 gallons over 13,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Residential & Commercial - base rate per meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Each 1,000 gallons up to 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Each 1,000 gallons over 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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.

AVERAGE NUMBER OF CUSTOMERS

Year	Residential	Commercial	Total
2019	4,603	386	4,989
2018	4,492	393	4,885
2017	4,414	387	4,801
2016	4,346	390	4,736
2015	4,276	389	4,665
2014	4,201	384	4,585
2013	4,159	381	4,540
2012	4,121	383	4,504
2011	4,068	381	4,449

LARGEST CUSTOMERS OF THE SEWER SYSTEM 2019

Customer	Industry	(1) Total Gallons	Percent of Total Consumption	Annual Sewer Revenue	(2) Percent of Total Operating Revenue
Good Shepherd	Medical	10,615,000	3.85%	20,982	0.60%
Five Star Auto Wash	Car Wash	9,129,300	3.31%	17,616	0.50%
Sandstone Middle School	School	6,623,200	2.40%	10,825	0.31%
Regency	Assisted Living	4,414,400	1.60%	8,816	0.25%
Panda Inn	Restaurant	4,049,400	1.47%	8,033	0.23%
Walmart DC	Retail	3,859,200	1.40%	7,796	0.22%
Highland Operations	Assisted Living	3,535,900	1.28%	6,328	0.18%
Safeway	Grocery	3,234,700	1.17%	6,811	0.19%
Armand Larive Middle School	School	2,988,000	1.08%	6,395	0.18%
Village Park	Mobile Home Park	2,808,400	1.02%	51,366	1.47%
		51,257,500	18.58%	144,968	4.14%

(1) Consumption in gallons, rounded to nearest hundred, based on 2019 water consumption. Total consumption for 2019 was 275,883,000.

(2) Based on 2019 audited Sewer System total operating revenue of \$3,504,177.

City of Hermiston
Sewer Rates and Charges

Consumption	Sewer Rates Effective as of										RECENT HISTORICAL SEWER RATE CHANGES	
	07/01/10	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	10/01/17	3/1/2018	3/1/2019	Year	Sewer
Dwelling units - monthly flat rate	20.14	20.95	21.78	22.65	23.56	23.56	24.74	25.97	27.25	0.00	2010	9%
Motel units - per-month unit charge	12.79	13.30	13.83	14.39	14.96	14.96	15.71	16.49	17.30	0.00	2014	8%
gallons	21.93	22.81	23.72	24.67	25.65	25.65	26.93	28.28	29.66	0.00	2015	8%
Plus: per 1,000 gallons of water thereafter:	1.11	1.15	1.20	1.25	1.30	1.30	1.37	1.43	1.50	0.00	2017	5%
Residential & Commercial - base rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.00	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	2019	**

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

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

	2015	2016	2017	2018	2019
Real Market Value (RMV)	986,977,008	1,033,085,828	1,070,438,667	1,187,064,794	1,225,505,098
Estimated Population	17,520	17,925	17,925	17,985	18,200
Per Capita RMV	56,334	58,966	59,718	66,003	67,335
Debt Information					
City Direct Debt	5,545,000	5,210,000	4,870,000	4,510,000	4,145,000
Overlapping Direct Debt	45,572,866	44,877,836	40,334,358	40,626,031	37,590,458
Total Direct Debt	51,117,866	50,087,836	45,204,358	45,136,031	41,735,458
Bonded Debt Ratios					
City Direct Debt to RMV	0.56%	0.50%	0.45%	0.38%	0.34%
Total Direct Debt to RMV	5.18%	4.85%	4.22%	3.80%	3.41%
Per Capita City Direct Debt	\$316	\$297	\$272	\$251	\$228
Per Capita Total Direct Debt	\$2,918	\$2,859	\$2,522	\$2,510	\$2,293
Net Direct Debt ⁽²⁾	\$0	\$0	\$0	\$0	\$0
Net Direct Debt ⁽²⁾	\$2,476	\$2,439	\$2,137	\$2,147	\$1,961
Net Direct Debt ⁽²⁾	\$0	\$0	\$0	\$0	\$0
Net Direct Debt ⁽²⁾	\$0	\$0	\$0	\$0	\$0

⁽¹⁾ Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Limited tax pension obligations are included.

⁽²⁾ Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt. Limited tax pension obligations are considered self-supporting obligations.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2019)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	8,074,012,084	15.18%	1,683,992	118,340
Umatilla County School District #8 (Hermiston)	2,660,754,891	44.07%	31,985,837	31,985,837
Umatilla County School District #61 (Stanfield)	530,385,427	9.97%	249,969	249,969
Port of Umatilla	8,074,012,084	15.18%	94,952	94,952
Blue Mountain Community College	14,587,183,640	8.40%	2,298,148	2,298,148
Umatilla-Morrow ESD	17,288,915,089	7.09%	331,489	-
East Umatilla RFPD	3,428,770,931	35.74%	32,168	32,168
Umatilla RFPD 7-405	3,762,605,871	32.57%	560,214	560,214
Morrow & Umatilla Radio District	12,144,963,852	10.09%	353,689	353,689
	<u>70,551,603,869</u>		<u>37,590,458</u>	<u>35,693,317</u>
City of Hermiston			1,225,505,098	

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2018)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	7,855,806,854	15.11%	1,784,553	122,376
Umatilla County School District #8 (Hermiston)	2,592,304,136	43.73%	34,965,264	34,965,264
Umatilla County School District #61 (Stanfield)	531,930,516	10.06%	316,631	316,631
Port of Umatilla	7,855,806,854	15.11%	101,177	101,177
Blue Mountain Community College	13,907,447,613	8.54%	2,465,906	2,465,906
Umatilla-Morrow ESD	16,555,859,516	7.17%	351,801	-
East Umatilla RFPD	3,374,693,323	35.18%	36,934	36,934
Umatilla RFPD 7-405	3,578,306,273	33.17%	603,765	603,765
	56,252,155,085		40,626,031	38,612,053

City of Hermiston

1,187,064,794

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2017)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	7,379,352,516	14.51%	1,720,697	38,013
Umatilla County School District #8 (Hermiston)	2,507,417,327	40.62%	35,207,157	35,207,157
Umatilla County School District #61 (Stanfield)	463,533,444	11.20%	402,159	402,159
Port of Umatilla	7,379,352,516	14.51%	103,510	103,510
Blue Mountain Community College	12,733,974,276	8.41%	2,508,410	2,508,410
Umatilla-Morrow ESD	15,213,222,354	7.04%	352,658	-
East Umatilla RFPD	3,230,138,709	33.14%	39,767	39,767
	<u>48,906,991,142</u>		<u>40,334,358</u>	<u>38,299,016</u>

City of Hermiston

1,070,438,667

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2016)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	7,052,119,258	14.65%	1,980,679	205,916
Umatilla County School District #8 (Hermiston)	2,339,333,588	41.78%	39,080,324	39,080,324
Umatilla County School District #61 (Stanfield)	372,311,402	14.96%	627,494	627,494
Port of Umatilla	7,052,119,258	14.65%	110,979	110,979
Blue Mountain Community College	11,897,279,292	8.68%	2,702,274	2,702,274
Umatilla-Morrow ESD	14,317,118,479	7.22%	376,086	-
	<u>43,030,281,277</u>		<u>44,877,836</u>	<u>42,726,987</u>

City of Hermiston 1,033,085,828

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2015)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	6,737,612,703	14.65%	2,186,427	347,270
Umatilla County School District #8 (Hermiston)	2,229,141,187	41.40%	41,328,622	41,328,622
Umatilla County School District #61 (Stanfield)	409,861,270	15.66%	748,988	748,988
Port of Umatilla	6,737,612,703	14.65%	91,639	91,639
Blue Mountain Community College	10,947,328,193	9.02%	847,025	847,025
Umatilla-Morrow ESD	13,290,864,481	7.43%	359,790	-
West Umatilla Vector Control District	3,329,619,177	29.64%	10,375	10,375
	<u>43,682,039,714</u>		<u>45,572,866</u>	<u>43,373,919</u>

City of Hermiston 986,977,008

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2014)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	6,504,244,024	14.65%	2,317,630	424,118
Umatilla County School District #8 (Hermiston)	2,130,255,885	41.40%	42,973,609	42,973,609
Umatilla County School District #61 (Stanfield)	365,091,943	15.66%	838,942	838,942
Blue Mountain Community College	10,392,223,165	9.02%	876,744	876,744
Umatilla-Morrow ESD	12,613,864,637	7.43%	305,764	-
West Umatilla Vector Control District	3,159,360,983	29.64%	13,338	13,338
	<u>35,165,040,637</u>		<u>47,326,026</u>	<u>45,126,750</u>
City of Hermiston	935,091,901			

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
 Summary of Overlapping Debt
 (As of June 30, 2013)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	6,018,806,406	15.89%	2,721,163	618,121
Umatilla County School District #8 (Hermiston)	2,130,255,885	43.98%	47,946,452	47,946,452
Umatilla County School District #61 (Stanfield)	365,091,943	17.47%	1,032,190	1,032,190
Blue Mountain Community College	10,392,223,165	10.18%	1,195,132	1,195,132
Umatilla-Morrow ESD	12,613,864,637	8.25%	345,429	-
West Umatilla Vector Control District	3,159,360,983	33.43%	18,387	18,387
	<u>34,679,603,019</u>		<u>53,258,752</u>	<u>50,810,282</u>

City of Hermiston 941,918,800

(1) Gross direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Pension obligations and self-supporting utility debt are excluded.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

City of Hermiston
Pension Cost Trends Oregon State and Local Government Rate Pool
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability/ (Surplus)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2017	30,899,700	42,150,700	11,251,000	73%	5,897,800	191%
12/31/2016	28,032,600	40,351,300	12,318,700	69%	5,714,000	216%
12/31/2015	27,682,700	38,396,800	10,714,100	72%	5,594,300	192%
12/31/2014	28,465,300	37,169,900	8,704,600	77%	5,390,800	161%
12/31/2013	27,855,300	31,738,800	3,883,500	88%	5,121,900	76%
12/31/2012	25,464,100	30,601,900	5,137,800	83%	5,018,000	102%
12/31/2011	23,240,900	31,109,100	7,868,200	75%	4,935,700	159%
12/31/2010	23,879,000	30,285,000	6,405,900	79%	4,973,400	129%
12/31/2009	22,872,794	28,126,358	5,253,564	81%	4,511,734	116%
12/31/2008	21,245,176	26,636,773	5,391,597	80%	4,992,843	108%

Actuarial valuation for 12/31/2018 is not yet available.

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report
Required by Oregon State Regulations**

Pages 134-135