

City of Hermiston

Hermiston, Oregon

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2015

City of Hermiston, Oregon

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2015

Prepared by the Financial Department
of the City of Hermiston

CITY OF HERMISTON, OREGON

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INTRODUCTORY SECTION



City of Hermiston
Administrative Offices

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Hermiston, OR 97838

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

February 29, 2016

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, 2015, 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 Dickey and Tremper, LLP, 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 1-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns its own airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a modern public safety center, housing police and municipal court; Hermiston Conference Center, a regional conference and convention center; public works building; wastewater treatment plant; public library; twelve city parks encompassing 114 acres, and water and sewer utilities. There are approximately 85 full-time city employees and 12 permanent part-time employees. In the 1960s, the voters approved the council-manager form of government. The eight councilors, mayor and a municipal judge are elected, and the council hires a city manager as its administrator.

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 electricity, 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, Chapter 294 of the Oregon Revised Statutes. 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 the 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 117,000 people employed within a 30 mile radius of the city. The State of Oregon's 2015 population estimate for the city was 17,520.

Recent years have seen the ongoing expansion of medical services including expansions at the Good Shepherd Medical Center worth \$25 million of total facility expansions either completed or planned for

completion between 2014 and 2017. In addition to medical services, Guardian Angel Homes began construction on a 32-unit memory care facility in Hermiston in early 2015; completion is expected in 2016.

Hermiston has also seen major growth in regional hospitality related businesses. A \$5.3 million, 93-room Holiday Inn Express began construction in 2015, with completion planned for mid-2016. The Oak Tree Inn also began construction on a 20-room expansion in 2015, with completion scheduled for mid-2016. 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. Pioneer HiBred Seed and DuPont have 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 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. This expansion will require additional hiring at the Hermiston location, as the company continues to expand store locations as well as source materials from their e-commerce business through the Hermiston distribution center. 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 is undergoing a \$3 million re-alignment project.

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 Hermiston Irrigation District in 1905. This was the first flood irrigation project built by the Bureau of Reclamation.

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 17,520 in 2015.

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 county fair makes its home here and today offers a central site for rodeos, home shows, livestock sales, community dances, auctions and other events, as well as the annual Umatilla County Fair. The City of Hermiston maintains its small town, western flavor congeniality while incorporating progressive educational, recreational, and cultural opportunities with security and medical care.

Hermiston School District has five elementary schools, two middle schools, one senior high school, one alternative school, and one ESD office. With 5,500 students, it is the largest school district in Eastern Oregon, and with 505 employees, the fourth largest employer in Hermiston. Oregon Department of Education records show the HSD as the second fastest growing district in the state for enrollment. Hermiston's District 8R opened three new replacement school facilities at an approximate cost of \$63.3 million in 2011. The School District completed a \$5 million replacement of the high school football stadium in 2013. The facility is expected to generate 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, with a satellite campus in Hermiston, offers 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, horseshoes, miniature golf and all kinds of ball leagues; and golf courses in three 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 Desert Arts Council, and Oregon East Symphony. There are eight movie theaters 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, Eagles 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 presiding local 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, a subsidiary of ConAgra, Golden Valley Microwave, has a potato processing plant in the Hermiston area which employs approximately 800 people. ConAgra/Lamb Weston also completed a \$200 million expansion to their other facility at the nearby Port of Morrow in early 2014, resulting in 150 new jobs for the region. There are seven potato fresh-pack sheds and a flaking plant. Schearers Foods expanded their chip processing facility with a \$28 million dollar

processing line expansion in 2011 adding to their expanding work force. Shearer 's made another \$3 million investment at their Hermiston plant in early 2014 to bring a new chip variety online at this location and increase full-time employment by another 35 jobs.

Hermiston Foods Incorporated, a wholly owned subsidiary of Norpac Foods, operates a processing plant within the boundaries of Hermiston. The plant employs over 250 individuals and seasonally processes peas, dry beans, carrots, and similar vegetable crops. The plant is a state of the art facility which began operations in 1990. Pendleton Grain Growers operates a \$1.5 million feed mill just south of the City; there are also several large feed lot operations in the area.

Major employers outside the food processing industry include Johns-Manville, Marlette Homes, Wal-Mart Distribution Center and Portland General Electric. Johns-Manville constructed a \$4 million polyvinylchloride pipe plant in the Port of Umatilla Industrial Park five miles north of Hermiston. This plant employs approximately 50 people. Marlette Homes, is located within the City and employs approximately 225 people. Marlette has completed a \$1.5 million plant expansion which has doubled plant capacity. Wal-Mart operates a 1.2 million square foot distribution center which employs approximately 800 workers and transfers merchandise to about 400 trucks daily. UPS Freight and FedEx Ground also both operate full-service freight terminals near the 1-84/82 interchange. The FedEx facility was completed in early 2011, and serves 120 trucks per day.

Four shopping centers are within the City. The shopping facilities in Hermiston serve approximately 50,000 people in the Umatilla and Morrow counties. State of Washington residents also shop here due to the lack of sales tax in the State of Oregon. 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 completed a \$26.7 million upgrade to its wastewater treatment facilities in spring 2015, which included over \$17 million in construction costs. The City secured a low-interest \$21.1 million loan from the State of Oregon to cover the majority of the project costs and issued bonds in May of 2014 to finance the remaining amount. Construction on the Outfall, the final piece of the project, began in January 2015 and was substantially complete by August 2015.

The City has various other construction projects underway at June 30, 2015. Major project in progress are as follows:

1. Harkenrider Senior Center – In January 2015 the City was awarded a \$2 million Oregon Community Development Block Grant through the Oregon Infrastructure Finance Authority for construction of a new Senior Center. The City must provide a cash contribution of \$73,242 and complete the project by January 29, 2018. The City has incurred \$12,053 on design, survey and appraisal costs.
2. Waterline Extension - This project is for construction of a water main from the Regional Water System's treatment plant on Hwy 207 eastward along Feedville Road, a distance of about 1.5 miles, which will enhance the city's water-delivery capabilities. At June 30, 2015 \$260,675 had been expended life-to-date against a budget of \$1,250,000.

3. Airport Improvements – The City was awarded several state and federal grants totaling \$600,000 during fiscal year ending 2015 and another \$2.9 million awarded by the FAA in September 2015 for taxiway realignment and other improvements at the Hermiston Municipal Airport. Preliminary design was substantially completed by June 2015; construction began in October.
4. EOTEC – The City continues to expend the \$6.4 million grant it received from the state of Oregon to design, construct and equip a multi-million dollar Eastern Oregon Trade and Event Center. Site-work was well underway at the end of June 2015 and substantial completion is expected to occur by the end of March 2016. In conjunction with the project, the City is extending the water distribution and sanitary sewer collection systems to the facility. Construction on the pipeline began in early December 2014 and was approximately 80% complete at June 30, 2015.

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 bank demand deposits.

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, 2014. This was the twenty-fourth 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 only. 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 Smith
City Manager and Treasurer



Amy Palmer, CPA
Finance Director



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, 2014

Executive Director/CEO

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2015

ELECTED OFFICIALS

	<u>Term Expires</u>
Mayor:	
Dr. David Drotzmann	December 31, 2016
Council Members:	
Lori Davis	December 31, 2018
Clara Beas-Fitzgerald	December 31, 2018
Jackie C. Myers	December 31, 2018
Doug Smith	December 31, 2018
Manuel Gutierrez	December 31, 2016
Rod S. Hardin	December 31, 2016
John Kirwan	December 31, 2016
Doug Primmer	December 31, 2016
Municipal Judge:	
Thomas J. Creasing	December 31, 2016

APPOINTED OFFICIALS

City Manager:	Byron Smith
Assistant City Manager:	Mark Morgan
Finance Director/City Recorder:	Amy Palmer, CPA
Chief of Police:	Jason Edmiston
Water Superintendent:	Roy Bicknell
Wastewater Superintendent:	Bill Schmittle
Library Director:	Marie L. Baldo
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

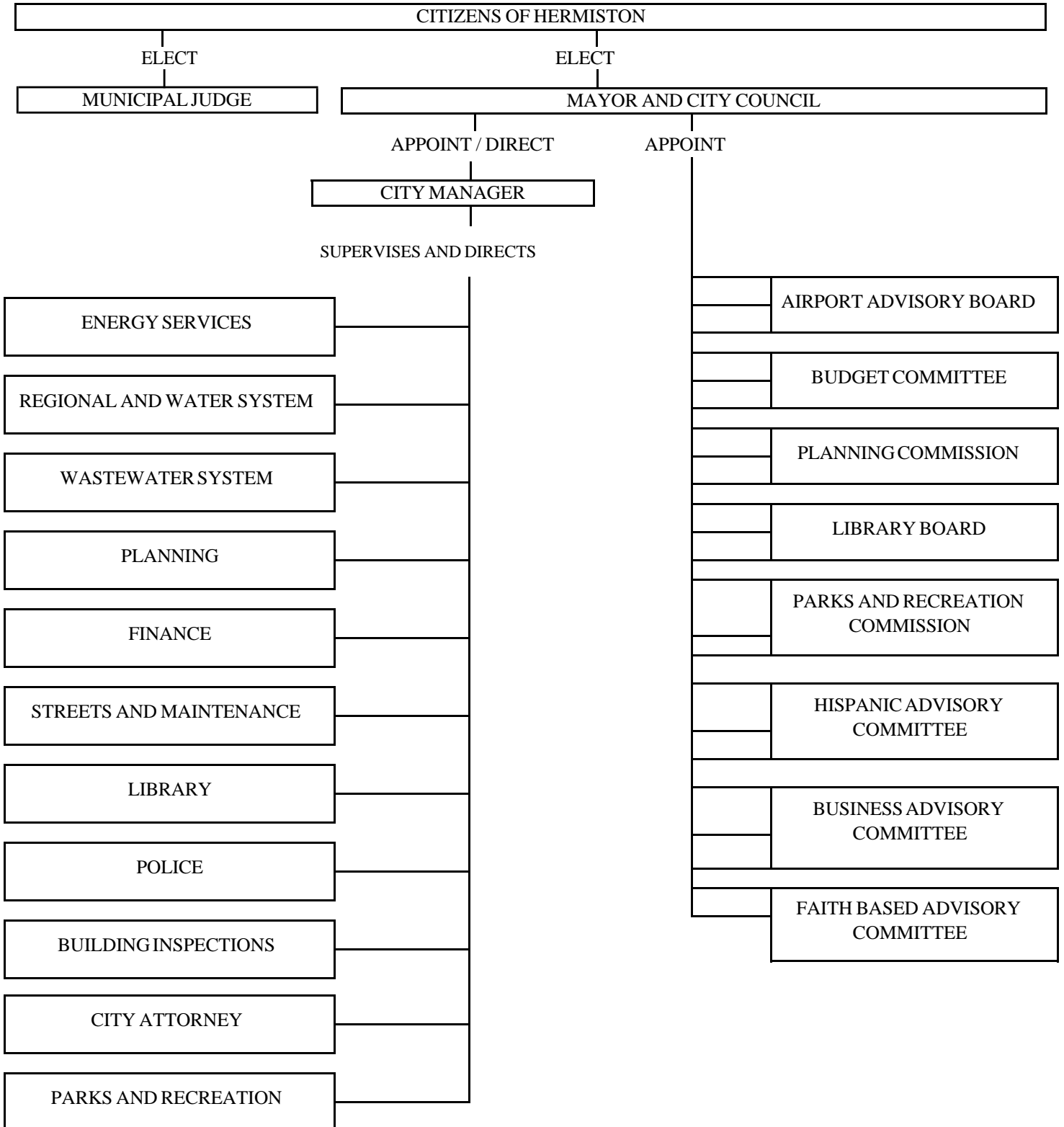
OFFICIAL ADDRESS

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CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2015



FINANCIAL SECTION



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Hermiston, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hermiston, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding New Accounting Principle

As described in Note 14, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General Fund and State Tax Street Fund, Schedule of the City's Proportional Share of the Net Pension Liability (Asset), Schedule of Contributions, and Notes to Required Supplementary Information, as listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management's discussion and analysis, Schedule of the City's Proportional Share of the Net Pension Liability (Asset), Schedule of Contributions, and Notes to Required Supplementary Information, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermiston, Oregon's basic financial statements. The

introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules and other financial schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the City of Hermiston, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hermiston, Oregon's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 29, 2016, on our consideration of the City of Hermiston's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.


Dickey and Tremper, LLP
Certified Public Accountants

February 29, 2016

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. 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 \$103.9 million at June 30, 2015 consisting of approximately \$26.1 million in cash and investments, \$69.3 million in capital assets and \$8.5 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$7.6 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$55.4 million at June 30, 2015, consisting of \$44.6 million in long-term obligations, \$7.6 million in accounts payable and other liabilities, and \$3.3 million in deferred inflows related to pensions.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$48.5 million (*net position*). Of this amount \$19.4 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors. The remainder of the City's net position includes approximately \$26 million invested in capital assets net of related debt, \$313,000 restricted for debt service, \$308,000 restricted for culture and recreation, \$1.1 million restricted for highways and streets, \$11,000 restricted for public safety, \$115,000 for economic development, \$434,000 for system development, and \$910,000 for capital improvements.
- The City generated \$13.6 million in revenues from governmental activities. Direct expenses, including interest on long-term debt for governmental activities, were \$10.1 million for the year, resulting in a net expense of \$3.5 million.
- Business-type activities generated \$13.3 million in revenues to fund direct expenses of \$11.7 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 of the Net Pension Liability and Schedule of Contributions, as they relate to GASB 68.

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

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

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.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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)					
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2015	2014	2015	2014	2015	2014
Assets:						
Cash and investments	\$ 18,892	\$ 17,565	\$ 7,194	\$ 9,361	\$ 26,086	\$ 26,926
Other assets	5,009	4,150	2,716	1,339	7,725	5,489
Capital assets	12,699	13,109	56,582	50,721	69,281	63,830
Total assets	<u>36,600</u>	<u>34,824</u>	<u>66,492</u>	<u>61,421</u>	<u>103,092</u>	<u>96,245</u>
Deferred outflows:	<u>555</u>	<u>-</u>	<u>300</u>	<u>69</u>	<u>855</u>	<u>69</u>
Liabilities:						
Other Liabilities	5,311	7,834	2,247	2,122	7,558	9,956
Long term debt	6,062	3,245	38,506	36,923	44,568	40,168
Total liabilities	<u>11,373</u>	<u>11,079</u>	<u>40,753</u>	<u>39,045</u>	<u>52,126</u>	<u>50,124</u>
Deferred inflows:	<u>2,322</u>	<u>-</u>	<u>977</u>	<u>-</u>	<u>3,299</u>	<u>-</u>
Net Position:						
Net investment in capital assets	9,442	9,864	19,176	13,798	25,999	23,662
Restricted	2,239	1,721	910	4,767	3,149	6,488
Unrestricted	<u>11,781</u>	<u>12,160</u>	<u>4,976</u>	<u>3,880</u>	<u>19,376</u>	<u>16,040</u>
Total Net Position	<u>\$ 23,462</u>	<u>\$ 23,745</u>	<u>\$ 25,062</u>	<u>\$ 22,445</u>	<u>\$ 48,524</u>	<u>\$ 46,190</u>

Over half of the City's net position (54% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. Consequently, \$2.6 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.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The unrestricted net position of \$19.4 million may be used to meet the City's ongoing obligations to citizens and creditors.

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</i>		<i>Business-Type</i>		<i>Total</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for service	\$ 2,401	\$ 2,243	\$ 12,898	\$ 12,354	\$ 15,299	\$ 14,597
Operating grants and contributions	1,160	93	-	-	1,160	93
Capital grants and contributions	3,026	674	186	-	3,212	674
General Revenues						
Taxes	6,625 [▼]	7,559	-	-	6,625	7,559
Interest	88	130	77	40	165	170
Change in joint venture net position	55	(98)	-	-	55	(98)
Other	185	227	142	218	327	445
Total Revenues	13,540	10,828	13,303	12,612	26,843	23,440
Expenses						
General government	2,228	2,236	-	-	2,228	2,236
Public safety	3,435	4,206	-	-	3,435	4,206
Highways and streets	901	1,138	-	-	901	1,138
Cultural and recreation	3,315	2,575	-	-	3,315	2,575
Interest on long-term debt	164	79	-	-	164	79
Economic development	77	-	-	-	77	-
Water	-	-	2,408	2,959	2,408	2,959
Sewer	-	-	1,933	1,840	1,933	1,840
Electricity	-	-	7,382	7,484	7,382	7,484
Total Expenses	10,120	10,234	11,723	12,283	21,843	22,517
Change in net position before transfers	3,420	594	1,580	329	5,000	923
Transfers	1,065	(34)	(1,065)	34	-	-
Change in net position	4,485	560	515	363	5,000	923
Net position - beginning	23,745	23,322	22,445	22,449	46,190	45,771
Change in accounting principle	(2,171)	-	(914)	-	(3,085)	-
Prior period adjustment	(2,597)	(137)	3,015	(367)	418	(504)
Net position - ending	\$ 23,462	\$ 23,745	\$ 25,061	\$ 22,445	\$ 48,523	\$ 46,190

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Governmental Activities. During the current fiscal year, net position for government activities increased \$4.5 million. This increase is due to an increase in charges for services of \$158,000, property taxes of \$268,000, and capital grants and contributions of \$2.4 million. The largest portion of the increase in capital grants was from the City's recognition of grant revenue it received from the state for construction of the Eastern Oregon Trade and Event Center. The 2014 net position as of July 1 was restated and reduced by \$2.2 million due to a change in accounting principle, GASBS 68. The City also recorded a prior period adjustment of \$2.6 million which is mainly due to transferring debt from the business to governmental activities.

Business-type activities. Net position for business activities increased \$515,000 during the current fiscal year. Revenues increased by 3.7% and operating expenses decreased by 3.8%. The City also received \$200,000 in capital contributions from a customer. The majority of these amounts were offset by transfers to the reserve fund for capital improvements. The 2014 net position as of July 1 was restated and reduced by \$914,000 due to the change in accounting principle, GABS 68. The City also recorded prior period adjustment of \$3.0 million which is mainly due to transferring debt from the business to governmental activities and recording receivables, prepaid expenses and payables from prior year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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, 2015, the City's governmental funds reported a combined ending fund balance of \$13.4 million compared to prior year's balance of \$13.1. Unassigned fund balance combined with assigned and committed fund balance as of June 30, 2015, was \$11.2 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, 2015, the total fund balance was \$5.1 million, of which \$3.5 million is considered unassigned, reflecting an increase of approximately \$100,000 from the prior year. Expenditures in the general fund increased by approximately \$600,000 in the current year, increasing from \$7.3 million to \$7.9 million. This increase was offset by increases in property tax and other intergovernmental revenue received during the fiscal year.

Other major governmental funds include the State Tax Street Fund, Reserve Fund, Bonded Debt Fund and the EOTEC Construction Fund. The State Tax Reserve Fund and Bonded Debt Service Fund had a minimal change in fund balance. The Reserve Fund increased its fund balance by \$1.3 due to current year transfers committed for future infrastructure improvements and set-asides for Rate Stabilization Accounts for the Sewer, Water and Power utilities. The EOTEC Fund had no change in fund balance and the prior year fund balance of \$1.5 million was transferred to government-wide activities through a prior period adjustment for the City's joint venture investment in the EOTEC .

**CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Business-Type Activities

The net position of the Energy Fund decreased by approximately \$900,000 during the year primarily due to transfers to the reserve fund for future infrastructure improvements and deposits to the Rate Stabilization Account. Revenue was similar to the prior year, but the cost of wholesale power decreased slightly.

The Utility Fund experienced an increase in net position of \$1.3 million, mostly due to increased utility rates. Revenues increased by 12.9% over the prior year. Operating expenses decreased by 10.5% from the prior year because the utility had significant one-time repair expenses in 2014.

The Regional Water Fund experienced a slight increase in net position due to capital contributions from customers.

General Fund Budgetary Highlights

The City adopted two supplemental budgets only one of which affected the General Fund increasing appropriations by \$336,000. The majority of this increase was due to an interfund loan and transfers to other funds. Budget over expenditures are listed in notes to required supplementary information.

General Fund revenues exceeded budgeted expectations by \$1,3 million due to the City's conservative budget approach on revenues. Actual expenditures of the General Fund were \$347,000 less than budgeted. The majority of this difference was in general government and public safety. Savings in general government were split nearly evenly between personnel services and materials and services. The Police Department had savings in overtime, nuisance abatement and contracted services.

Capital Assets

The City had \$69.3 million in capital assets net of depreciation at June 30, 2015 allocated as follows:

	Net Capital Assets (in thousands)					
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land and easements	\$ 2,385	\$ 2,365	\$ 1,086	\$ 1,073	\$ 3,471	\$ 3,438
Construction in progress	265	52	2,682	22,972	2,947	23,024
Buildings and systems	5,474	5,696	52,609	26,538	58,083	32,234
Machinery, equipment	329	394	205	138	534	532
Street system	<u>4,246</u>	<u>4,602</u>	<u>-</u>	<u>-</u>	<u>4,246</u>	<u>4,602</u>
Total capital assets	<u>\$12,699</u>	<u>\$13,109</u>	<u>\$56,582</u>	<u>\$50,721</u>	<u>\$69,281</u>	<u>\$63,830</u>

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

Debt Administration

At year end, the City had \$44.6 million in long term debt outstanding compared to \$40.5 million last year. The City repaid approximately \$1.2 million of long term debt during the year and received \$4.9 million in debt proceeds. 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 restructured its budget somewhat for 2015-16, which resulted in an overall increase of approximately \$4.8 million. The City included for the first time an amount 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 Reserve for Future Expenditure is included in the Reserve Fund and is 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 2015-16 budget also reflects decreased appropriations for the upgrades to the City's wastewater treatment plant as that project winds down, and increased appropriations for debt service on the Clean Water State Revolving Fund loans that the City used to fund most of the treatment plant upgrades.

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 or requests for additional information should be addressed to: Amy Palmer, Finance Director, City of Hermiston, 180 N.E. Second Street, Hermiston, OR 97838.

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF HERMISTON, OREGON
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 9,876,001	\$ 4,452,666	\$ 14,328,667
Investments	5,409,495	2,574,052	7,983,547
Restricted cash	3,606,949	167,560	3,774,509
Accounts receivable	574,374	1,323,166	1,897,540
Property taxes receivable	297,795	-	297,795
Internal balance	(750,691)	750,691	-
Prepays	72,000	135,486	207,486
Total current assets	19,085,923	9,403,621	28,489,544
Noncurrent assets:			
Net pension asset	1,203,374	506,472	1,709,846
Investment in joint venture	3,612,241	-	3,612,241
Capital assets:			
Nondepreciable	2,651,215	3,768,784	6,419,999
Depreciable, net	10,047,985	52,813,546	62,861,531
Total noncurrent assets	17,514,815	57,088,802	74,603,617
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	555,355	233,736	789,091
Deferred charge on refunding	-	66,034	66,034
Total deferred outflows of resources	555,355	299,770	855,125
Total assets and deferred outflows of resources	\$ 37,156,093	\$ 66,792,193	\$ 103,948,286
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,660,167	\$ 1,032,804	\$ 2,692,971
Deposits and payables, restricted	45,469	167,560	213,029
Accrued interest payable	43,765	1,046,841	1,090,606
Unearned revenue, restricted	3,561,480	-	3,561,480
Current portion of long-term debt	593,954	1,098,578	1,692,532
Total current liabilities	5,904,835	3,345,783	9,250,618
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	5,467,696	37,407,142	42,874,838
Total noncurrent liabilities	5,467,696	37,407,142	42,874,838
Total liabilities	11,372,531	40,752,925	52,125,456
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	2,322,025	977,287	3,299,312
Total deferred inflows of resources	2,322,025	977,287	3,299,312
NET POSITION:			
Net investment in capital assets	9,442,030	19,175,468	25,998,378
Restricted for:			
Debt service	313,447	-	313,447
Culture and recreation	308,071	-	308,071
Highways and streets	1,057,272	-	1,057,272
Public safety	11,048	-	11,048
Economic development	114,677	-	114,677
System development	434,281	-	434,281
Capital Improvements	-	910,400	910,400
Unrestricted	11,780,711	4,976,113	19,375,944
Total net position	23,461,537	25,061,981	48,523,518
Total liabilities, deferred inflows of resources and net position	\$ 37,156,093	\$ 66,792,193	\$ 103,948,286

The accompanying notes are an integral part of the basic financial statements.

CITY OF HERMISTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Expense Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
General government	\$ 2,228,173	\$ 593,195	\$ 48,799	\$ 348,927	\$ (1,237,252)	\$ -	\$ (1,237,252)
Public safety	3,435,296	911,960	49,750	-	(2,473,586)	-	(2,473,586)
Highways and streets	900,581	-	1,003,797	134,645	237,861	-	237,861
Culture and recreation	3,314,985	699,689	57,726	2,541,930	(15,640)	-	(15,640)
Economic development	77,207	195,851	-	-	118,644	-	118,644
Interest on long-term debt	164,052	-	-	-	(164,052)	-	(164,052)
Total governmental activities	10,120,294	2,400,695	1,160,072	3,025,502	(3,534,025)	-	(3,534,025)
Business type activities:							
Water	2,407,687	3,375,433	-	185,549	-	1,153,295	1,153,295
Sewer	1,932,688	2,125,495	-	-	-	192,807	192,807
Electricity	7,380,813	7,397,090	-	-	-	16,277	16,277
Total business type activities	11,721,188	12,898,018	-	185,549	-	1,362,379	1,362,379
Total government	\$ 21,841,482	\$ 15,298,713	\$ 1,160,072	\$ 3,211,051	(3,534,025)	1,362,379	(2,171,646)
General revenues:							
Taxes:							
Property taxes					5,228,716	-	5,228,716
Franchise and transient room taxes					929,148	-	929,148
Public service taxes and revenue sharing					467,937	-	467,937
Interest and investment earnings					87,699	76,640	164,339
Miscellaneous revenues					185,408	141,668	327,076
Joint venture change in net position					54,909	-	54,909
Transfers in (out)					1,065,243	(1,065,243)	-
Total general revenues and transfers					8,019,060	(846,935)	7,172,125
Change in net position					4,485,035	515,444	5,000,479
Net position - beginning					23,745,026	22,444,949	46,189,975
Prior period adjustment					(2,597,126)	3,015,480	418,354
Change in accounting principle					(2,171,398)	(913,892)	(3,085,290)
Net position - ending					\$ 23,461,537	\$ 25,061,981	\$ 48,523,518

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

Major Governmental Funds

Combined General Fund

The General Fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenue. Primary expenditures are for culture and recreation, general government and public safety.

State Tax Street Fund

The State Tax Street Fund accounts for all revenues received from gasoline tax revenues as required by Oregon 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. Financed directly by appropriations from the operating funds and with limited revenues directly from small reimbursement projects.

Bonded Debt Fund

The Bonded Debt Fund accounts for revenues and expenditures related to the servicing on general long-term debt.

EOTEC Construction Fund

The EOTEC Construction Fund provides accounts for funds used for the purpose of acquiring, developing, constructing and equipping the Eastern Oregon Trade and Event Center (EOTEC).

CITY OF HERMISTON, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	Combined General Fund	State Tax Street Fund	Reserve Fund	Bonded Debt Fund	EOTEC Construction Fund	Other Governmental	Total Governmental
ASSETS:							
Cash and cash equivalents	\$ 2,065,845	\$ 710,013	\$ 3,211,433	\$ 1,060,828	\$ 1,350,972	\$ 1,476,910	\$ 9,876,001
Investments	2,527,222	-	2,882,273	-	-	-	5,409,495
Restricted cash	-	-	-	-	3,561,480	45,469	3,606,949
Accounts receivable	295,354	93,214	65,496	-	-	120,310	574,374
Property taxes receivable	278,962	-	-	18,334	-	499	297,795
Interfund loan receivable	165,000	-	-	-	-	55,000	220,000
Total assets	<u>\$ 5,332,383</u>	<u>\$ 803,227</u>	<u>\$ 6,159,202</u>	<u>\$ 1,079,162</u>	<u>\$ 4,912,452</u>	<u>\$ 1,698,188</u>	<u>\$ 19,984,614</u>
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 34,706	\$ 784	\$ 173,476	\$ -	\$ 1,350,972	\$ 100,229	\$ 1,660,167
Deposits and payables, restricted	-	-	-	-	-	45,469	45,469
Interfund loan payable	-	-	170,000	-	-	50,000	220,000
Due to other funds	-	-	-	750,691	-	-	750,691
Unearned revenue, restricted	-	-	-	-	3,561,480	-	3,561,480
Total liabilities	<u>34,706</u>	<u>784</u>	<u>343,476</u>	<u>750,691</u>	<u>4,912,452</u>	<u>195,698</u>	<u>6,237,807</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - property tax revenue	230,924	-	-	15,024	-	426	246,374
Unavailable revenue - municipal court	-	-	-	-	-	97,870	97,870
Total deferred inflows of resources	<u>230,924</u>	<u>-</u>	<u>-</u>	<u>15,024</u>	<u>-</u>	<u>98,296</u>	<u>344,244</u>
FUND BALANCES:							
Restricted for:							
Debt service	-	-	-	313,447	-	-	313,447
Culture and recreation	-	-	208,018	-	-	100,053	308,071
Highways and streets	-	652,443	404,829	-	-	-	1,057,272
Public safety	-	-	-	-	-	11,048	11,048
Economic development	-	-	27,764	-	-	86,913	114,677
System development	-	-	434,281	-	-	-	434,281
Committed to:							
Municipal court	-	-	-	-	-	23,996	23,996
Culture and recreation	-	-	13,000	-	-	510,246	523,246
Highways and streets	-	150,000	386,000	-	-	-	536,000
Economic development	-	-	266,901	-	-	6,501	273,402
Public safety	-	-	-	-	-	46,070	46,070
Utility Systems	-	-	3,926,279	-	-	-	3,926,279
Insurance reserve	-	-	-	-	-	542,554	542,554
Other reserves	-	-	148,654	-	-	76,813	225,467
Assigned:							
Employee benefits	200,000	-	-	-	-	-	200,000
Unappropriated fund balance	1,353,269	-	-	-	-	-	1,353,269
Unassigned:							
	3,513,484	-	-	-	-	-	3,513,484
Total fund balances	<u>5,066,753</u>	<u>802,443</u>	<u>5,815,726</u>	<u>313,447</u>	<u>-</u>	<u>1,404,194</u>	<u>13,402,563</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,332,383</u>	<u>\$ 803,227</u>	<u>\$ 6,159,202</u>	<u>\$ 1,079,162</u>	<u>\$ 4,912,452</u>	<u>\$ 1,698,188</u>	

Amounts reported 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.	12,699,200
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	344,244
Investments in joint ventures are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,612,241
Prepaid insurance use current resources and, therefore, are not reported in the funds.	72,000
Pension related items do not provided or use resources and, therefore, are not reported in the funds.	(563,296)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(6,061,650)
Interest payable	(43,765)
Net position of governmental activities	<u>\$ 23,461,537</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF HERMISTON, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	Combined General Fund	State Tax Street Fund	Reserve Fund	Bonded Debt Fund	EOTEC Construction Fund	Other Governmental	Total Governmental
REVENUES:							
Property taxes	\$ 4,917,591	\$ -	\$ -	\$ 315,737	\$ -	\$ 16,834	\$ 5,250,162
Transient room tax	340,034	-	96,630	-	-	78,788	515,452
Licenses and franchise fees	413,696	-	-	-	-	-	413,696
Grants	-	-	309,937	-	2,541,930	76,612	2,928,479
Charges for service	1,319,512	-	-	-	-	279,158	1,598,670
Intergovernmental	499,937	1,138,442	-	-	-	-	1,638,379
Fines and forfeitures	583,178	-	-	-	-	218,847	802,025
Contributions and donations	-	-	-	-	-	30,864	30,864
Interest	42,077	-	45,622	-	-	-	87,699
Miscellaneous	134,855	18,028	-	-	-	32,525	185,408
System development charges	-	-	55,789	-	-	-	55,789
Total revenues	8,250,880	1,156,470	507,978	315,737	2,541,930	733,628	13,506,623
EXPENDITURES:							
Current:							
General government	1,641,926	-	327,103	-	-	192,652	2,161,681
Public safety	4,181,397	-	-	-	-	45,523	4,226,920
Highways and streets	-	635,584	-	-	-	-	635,584
Culture and recreation	1,901,896	-	-	-	-	213,888	2,115,784
Economic development	-	-	-	-	-	77,207	77,207
Capital outlay	125,810	-	1,421,581	-	2,541,930	35,623	4,124,944
Debt service:							
Principal	-	-	-	330,000	-	-	330,000
Interest	-	-	-	183,523	-	-	183,523
Total expenditures	7,851,029	635,584	1,748,684	513,523	2,541,930	564,893	13,855,643
Revenues over (under) expenditures	399,851	520,886	(1,240,706)	(197,786)	-	168,735	(349,020)
OTHER FINANCING SOURCES (USES):							
Interfund loans	-	-	-	-	-	-	-
Special payments	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-
Transfers in	373,338	-	2,576,091	194,897	-	139,676	3,284,002
Transfers out	(658,757)	(544,385)	-	-	-	(21,316)	(1,224,458)
Joint venture change in net position	-	-	-	-	-	-	-
Total other financing sources (uses)	(285,419)	(544,385)	2,576,091	194,897	-	118,360	2,059,544
Net change in fund balances	114,432	(23,499)	1,335,385	(2,889)	-	287,095	1,710,524
FUND BALANCES, BEGINNING	4,928,927	753,109	4,500,805	316,336	1,501,658	1,107,567	13,108,402
PRIOR PERIOD ADJUSTMENT	23,394	72,833	(20,464)	-	(1,501,658)	9,532	(1,416,363)
FUND BALANCES, ENDING	\$ 5,066,753	\$ 802,443	\$ 5,815,726	\$ 313,447	\$ -	\$ 1,404,194	\$ 13,402,563

The accompanying notes are an integral part of the basic financial statements.

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, 2015

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ 1,710,524

The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Depreciation	(876,227)	
Capital asset additions	420,006	(456,221)

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds.

Unavaible revenue	(21,446)
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Governmental funds report capital outlays on behalf of joint ventures in which they participate as expenditures. However, capital outlays are reported as assets on the statement of activities.

1,250,694

Changes in joint ventures are reported on the statement of activities.

54,909

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	1,608,102	
Change in compensated absences	(10,998)	
Bond premiums and accrued interest	19,471	1,616,575

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

Debt service principal payments	330,000
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Change in net position of governmental activities	\$ 4,485,035
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The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS
Proprietary Funds

Enterprise Funds

These 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. These funds represent three segments of operations – Electricity, Utility, and Regional Water Operations. Included in these segments are:

Electricity Operations

Hermiston Energy Services Fund

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

Utility Operations

Utility Fund

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

2014 Water & Sewer Revenue Bond Fund

The 2014 Water & Sewer Revenue Bonds Fund accounts for the proceeds of the general obligation bonds issued for the water and wastewater treatment facilities.

RWTP Construction Fund

The RWTP Construction Fund accounts resources and expenditures related to the Recycled Water Treatment Plant construction project.

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 three industrial users.

CITY OF HERMISTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 905,281	\$ 2,792,337	\$ 755,048	\$ 4,452,666
Investments	2,369,886	204,166	-	2,574,052
Restricted cash	159,242	8,318	-	167,560
Account receivable, net	639,795	575,028	108,343	1,323,166
Due from other funds	-	750,691	-	750,691
Prepaid items	104,486	29,000	2,000	135,486
Total current assets	<u>4,178,690</u>	<u>4,359,540</u>	<u>865,391</u>	<u>9,403,621</u>
Noncurrent assets:				
Net pension asset	65,547	408,858	32,067	506,472
Capital assets, net	11,027,080	39,746,216	5,809,034	56,582,330
Total noncurrent assets	<u>11,092,627</u>	<u>40,155,074</u>	<u>5,841,101</u>	<u>57,088,802</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	30,251	188,687	14,798	233,736
Deferred charge on refunding	66,034	-	-	66,034
Total deferred outflows of resources	<u>96,285</u>	<u>188,687</u>	<u>14,798</u>	<u>299,770</u>
Total assets and deferred outflows of resources	<u>\$ 15,367,602</u>	<u>\$ 44,703,301</u>	<u>\$ 6,721,290</u>	<u>\$ 66,792,193</u>
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 531,053	\$ 407,337	\$ 94,414	\$ 1,032,804
Accrued interest payable	129,737	917,104	-	1,046,841
Deposits	159,242	8,318	-	167,560
Current portion of long-term debt	300,472	798,106	-	1,098,578
Total current liabilities	<u>1,120,504</u>	<u>2,130,865</u>	<u>94,414</u>	<u>3,345,783</u>
NONCURRENT LIABILITIES:				
Noncurrent portion of long-term debt	11,398,024	26,009,118	-	37,407,142
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pension	126,480	788,931	61,876	977,287
NET POSITION:				
Net investment in capital assets	(605,382)	13,971,816	5,809,034	19,175,468
Restricted for:				
Capital improvements	-	910,400	-	910,400
Unrestricted	3,327,976	892,171	755,966	4,976,113
Total net position	<u>2,722,594</u>	<u>15,774,387</u>	<u>6,565,000</u>	<u>25,061,981</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,367,602</u>	<u>\$ 44,703,301</u>	<u>\$ 6,721,290</u>	<u>\$ 66,792,193</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF HERMISTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
OPERATING REVENUES:				
Charges for services water	\$ -	\$ 2,808,334	\$ 567,099	\$ 3,375,433
Charges for services sewer	-	2,125,495	-	2,125,495
Charges for services electric	7,397,090	-	-	7,397,090
Miscellaneous	114,416	-	27,252	141,668
Total operating revenues	<u>7,511,506</u>	<u>4,933,829</u>	<u>594,351</u>	<u>13,039,686</u>
OPERATING EXPENSES:				
Water	-	1,274,788	633,748	1,908,536
Sewer	-	1,404,170	-	1,404,170
Electricity	6,330,622	-	-	6,330,622
Depreciation	515,774	632,727	185,725	1,334,226
Total operating expenses	<u>6,846,396</u>	<u>3,311,685</u>	<u>819,473</u>	<u>10,977,554</u>
Operating income (loss)	<u>665,110</u>	<u>1,622,144</u>	<u>(225,122)</u>	<u>2,062,132</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	49,408	27,232	-	76,640
Interest expense	(534,417)	(209,217)	-	(743,634)
Total non-operating revenues (expenses)	<u>(485,009)</u>	<u>(181,985)</u>	<u>-</u>	<u>(666,994)</u>
Net income (loss) before capital contributions and transfers	180,101	1,440,159	(225,122)	1,395,138
TRANSFERS:				
Transfers in (out)	<u>(1,046,204)</u>	<u>(98,940)</u>	<u>79,901</u>	<u>(1,065,243)</u>
Net income (loss) before capital contributions	(866,103)	1,341,219	(145,221)	329,895
CAPITAL CONTRIBUTIONS:				
Capital contributions	-	-	185,549	185,549
Change in net position	(866,103)	1,341,219	40,328	515,444
NET POSITION, BEGINNING	3,672,878	15,107,028	3,665,043	22,444,949
PRIOR PERIOD ADJUSTMENT	34,094	63,894	2,917,492	3,015,480
CHANGE IN ACCOUNTING PRINCIPLE	<u>(118,275)</u>	<u>(737,754)</u>	<u>(57,863)</u>	<u>(913,892)</u>
NET POSITION, ENDING	<u>\$ 2,722,594</u>	<u>\$ 15,774,387</u>	<u>\$ 6,565,000</u>	<u>\$ 25,061,981</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF HERMISTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 7,602,950	\$ 4,827,035	\$ 590,301	\$ 13,020,286
Cash paid to employees and others for salaries/benefits	(293,403)	(2,097,711)	(147,233)	(2,538,347)
Cash paid to suppliers and others	(6,166,861)	(1,318,523)	(536,434)	(8,021,818)
Net cash provided (used) by operating activities	<u>1,142,686</u>	<u>1,410,801</u>	<u>(93,366)</u>	<u>2,460,121</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Payment from (to) other funds	-	(750,691)	-	(750,691)
Transfers in (out)	(1,046,204)	(98,940)	79,901	(1,065,243)
Net cash provided (used) by non-capital financing activities	<u>(1,046,204)</u>	<u>(849,631)</u>	<u>79,901</u>	<u>(1,815,934)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(572,503)	(5,726,096)	(288,710)	(6,587,309)
Capital contributions	-	-	103,827	103,827
Debt principal payments	(275,000)	(285,124)	-	(560,124)
Interest paid	(530,739)	(231,940)	-	(762,679)
Debt issued	-	4,918,630	-	4,918,630
Net cash provided (used) by capital and related financing activities	<u>(1,378,242)</u>	<u>(1,324,530)</u>	<u>(184,883)</u>	<u>(2,887,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	49,330	27,222	-	76,552
Purchase of investments	(792,684)	(67,887)	-	(860,571)
Proceeds from sale of investments	1,826,752	67,136	-	1,893,888
Net cash provided (used) by investing activities	<u>1,083,398</u>	<u>26,471</u>	<u>-</u>	<u>1,109,869</u>
Net increase (decrease) in cash and cash equivalents	(198,362)	(736,889)	(198,348)	(1,133,599)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,262,885</u>	<u>3,537,544</u>	<u>953,396</u>	<u>5,753,825</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,064,523</u>	<u>\$ 2,800,655</u>	<u>\$ 755,048</u>	<u>\$ 4,620,226</u>
REPORTED IN THE STATEMENT OF NET POSITION AS:				
Cash and cash equivalents	\$ 905,281	\$ 2,792,337	\$ 755,048	\$ 4,452,666
Restricted cash	159,242	8,318	-	167,560
Cash and cash equivalents, ending	<u>\$ 1,064,523</u>	<u>\$ 2,800,655</u>	<u>\$ 755,048</u>	<u>\$ 4,620,226</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 665,110	\$ 1,622,144	\$ (225,122)	\$ 2,062,132
Adjustments				
Depreciation	515,774	632,727	185,725	1,334,226
Decrease (increase) in:				
Accounts receivable	102,220	(107,712)	(4,050)	(9,542)
Prepays	12,167	-	-	12,167
Net pension asset	(213,117)	(1,329,337)	(104,261)	(1,646,715)
Deferred outflow - pension	(957)	(5,962)	(467)	(7,386)
Increase (decrease) in:				
Accounts payable and accrued expenses	(54,215)	(197,775)	(7,067)	(259,057)
Deposits	-	918	-	918
Deferred revenue	(10,776)	-	-	(10,776)
Deferred inflow - pension	126,480	788,931	61,876	977,287
Accrued compensated absences	-	6,867	-	6,867
Net cash provided (used) by operating activities	<u>\$ 1,142,686</u>	<u>\$ 1,410,801</u>	<u>\$ (93,366)</u>	<u>\$ 2,460,121</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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. The Urban Renewal Agency does not issue separate financial statements.

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

D. Fund Types and Major Funds

Governmental Funds

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

General Fund

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

State Tax Street Fund

This fund is used to account for the city's share of motor fuel tax revenues and special grants that are legally restricted to the maintenance of the streets within the city.

Reserve Fund

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

Bonded Debt Fund

This fund is used to account for revenues and expenditures related to the servicing on general long-term debt.

EOTEC Construction Fund

This fund is used to account for grant proceeds intended to construct the Eastern Oregon Trade and Event Center.

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 fair 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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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	50 years
Buildings and improvements	10 to 25 years
Machinery and equipment	5 to 10 years

Interest is capitalized on proprietary fund assets constructed with debt proceeds. During the year, the City incurred interest expense of \$1,291,321 in the proprietary funds. Of this amount, \$556,687 was included in the cost of capital assets under construction and \$743,634 was expensed.

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

F. Cash and Cash Equivalents

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

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

G. Investments

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

H. Inventories and Prepaid Items

The City does not have any significant inventories. Inventory items are recorded as expenditures when purchased. Other prepaid items such as insurance are recorded as expenditures under the consumption method, when the prepaid items are used.

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

disclosures. Actual results could differ from those estimates.

J. Compensated Absences

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

K. Interfund Transactions

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

L. Property Taxes

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

M. Income Taxes

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. The deferred amount relating to pensions is recognized as an outflow of resources in the period when the City recognizes pension 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 two types of items that qualify for reporting in this category. Unavailable revenue from property taxes and municipal court 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 in the government-wide Statement

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

of Net Position and 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 income

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.

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 includes unspent proceeds of bonds issued to acquire or construct capital assets. 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.

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 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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2015 cash and investment consisted of the following:

Cash	\$ 11,711,427
Cash equivalents	<u>6,391,749</u>
Total cash and cash equivalents	<u>\$ 18,103,176</u>

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

Cash and cash equivalents	\$ 14,328,667
Restricted cash	<u>3,774,509</u>
Total cash and cash equivalents	<u>\$ 18,103,176</u>

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 6,391,749
US Agencies	<u>2.77</u>	<u>7,983,547</u>
Total Investments	<u>1.54</u>	<u>\$ 14,375,296</u>

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

Restricted Cash

Restricted cash includes \$3,561,480 in grant revenues restricted for the construction of the Eastern Oregon Trade and Event Center, \$178,850 of customer deposits, and \$34,179 in police evidence.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2015, the book value of the City's deposits was \$11,711,427 and the bank balance was \$12,274,007. \$12,024,007 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

Interest Rate Risk – Investments

As of June 30, 2015, the City's weighted average maturity of its investment portfolio was 1.54 years. The City invests in short-term U.S. Government securities. These securities will be redeemed for full value at maturity.

Credit Risk – Investments

The City invests in securities of U.S. Government sponsored enterprises. U.S. Government agency securities are not rated. Securities of U.S. Government sponsored enterprises are not explicitly backed by the full faith and credit of the U.S. Government, but they have implied government backing and an implied AAA rating. The Local Government Investment Pool's credit risk is not rated.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. As of June 30, 2015, the City's \$7,983,547 in were exposed to custodial credit risk because the securities were held by a third party not in the City's name and were not insured. The Local Government Investment Pool is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book entry form.

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, the Oregon Short Term

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Fund, bank time deposits and savings accounts.

All bank demand deposits and time deposits shall be held in qualified Oregon depositories in accordance with ORS 295.

The maximum portfolio average maturity shall be three years.

3. Capital Assets

The changes in capital assets for the governmental activities for the year ended June 30, 2015 was as follows:

	<u>Balance June 30, 2014</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2015</u>
Governmental activities:					
Capital Assets, non-depreciable:					
Land	\$ 2,364,629	\$ -	\$ 21,212	\$ -	\$ 2,385,841
Construction in progress	-	-	265,374	-	265,374
Total capital assets, non-depreciable	<u>2,364,629</u>	<u>-</u>	<u>286,586</u>	<u>-</u>	<u>2,651,215</u>
Capital assets, depreciable:					
Buildings and improvements	13,156,450	30,806	65,000	-	13,252,256
Machinery and equipment	2,518,473	155,133	68,420	(101,189)	2,640,837
Street system	15,496,201	-	-	-	15,496,201
Total capital assets, depreciable	<u>31,171,124</u>	<u>185,939</u>	<u>133,420</u>	<u>(101,189)</u>	<u>31,389,294</u>
Total	33,535,753	185,939	420,006	(101,189)	34,040,509
Less accumulated depreciation for:					
Buildings and improvements	(7,409,038)	-	(369,144)	-	(7,778,182)
Machinery and equipment	(2,123,636)	(139,850)	(149,983)	101,189	(2,312,280)
Street system	(10,893,747)	-	(357,100)	-	(11,250,847)
Total accumulated depreciation	<u>(20,426,421)</u>	<u>(139,850)</u>	<u>(876,227)</u>	<u>101,189</u>	<u>(21,341,309)</u>
Net depreciable capital assets	<u>10,744,703</u>	<u>46,089</u>	<u>(742,807)</u>	<u>-</u>	<u>10,047,985</u>
Net capital assets	<u>\$ 13,109,332</u>	<u>\$ 46,089</u>	<u>\$ (456,221)</u>	<u>\$ -</u>	<u>\$ 12,699,200</u>

Depreciation expense is allocated to governmental functions as follows:

Governmental activities:	
General government	\$ 89,202
Public safety	91,909
Highways and streets	405,050
Culture and recreation	290,066
Total depreciation expense - governmental activities	<u>\$ 876,227</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, 2015 was as follows:

Business-type activities:

Capital Assets, non-depreciable:

Land	\$ 1,072,808	\$ -	\$ 13,500	\$ -	\$ 1,086,308
Construction in progress	22,972,426	880,534	5,518,368	(26,688,852)	2,682,476
Total capital assets, non-depreciable	<u>24,045,234</u>	<u>880,534</u>	<u>5,531,868</u>	<u>(26,688,852)</u>	<u>3,768,784</u>

Capital assets, depreciable:

Utility Systems and buildings	35,753,093	-	26,781,753	-	62,534,846
Electrical system	16,448,021	-	572,504	-	17,020,525
Equipment and vehicles	1,019,644	112,560	120,650	(177,150)	1,075,704
Total capital assets, depreciable	<u>53,220,758</u>	<u>112,560</u>	<u>27,474,907</u>	<u>(177,150)</u>	<u>80,631,075</u>

Total	77,265,992	993,094	33,006,775	(26,866,002)	84,399,859
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Less accumulated depreciation for:

Utility Systems and buildings	(20,185,496)	-	(767,367)	-	(20,952,863)
Electrical system	(5,477,671)	-	(515,774)	-	(5,993,445)
Equipment and vehicles	(882,231)	(115,055)	(51,085)	177,150	(871,221)
Total accumulated depreciation	<u>(26,545,398)</u>	<u>(115,055)</u>	<u>(1,334,226)</u>	<u>177,150</u>	<u>(27,817,529)</u>

Net depreciable capital assets	<u>26,675,360</u>	<u>(2,495)</u>	<u>26,140,681</u>	<u>-</u>	<u>52,813,546</u>
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Net capital assets	<u>\$ 50,720,594</u>	<u>\$ 878,039</u>	<u>\$ 31,672,549</u>	<u>\$ (26,688,852)</u>	<u>\$ 56,582,330</u>
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Depreciation expense is allocated to business-type functions as follows:

Business-type activities:

Water	\$ 302,706
Sewer	330,021
Electricity	515,774
Regional Water	185,725
Total depreciation expense - business-type activities	<u>\$ 1,334,226</u>

4. Risk Management

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

5. Long-term Debt

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Balance June 30, 2014</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental activities:						
Governmental bonds						
2013 pool bonds	\$ 3,125,000	\$ -	\$ -	\$ 100,000	\$ 3,025,000	\$ 100,000
2013 pool premium	120,491	-	-	6,336	114,155	6,342
2011 refunding water bonds	-	2,750,000	-	230,000	2,520,000	235,000
2011 refunding water premium	-	109,036	-	9,916	99,120	9,912
Total governmental bonds	<u>3,245,491</u>	<u>2,859,036</u>	<u>-</u>	<u>346,252</u>	<u>5,758,275</u>	<u>351,254</u>
Compensated absences	<u>292,377</u>	<u>-</u>	<u>244,900</u>	<u>233,902</u>	<u>303,375</u>	<u>242,700</u>
Total governmental activities	<u>\$ 3,537,868</u>	<u>\$ 2,859,036</u>	<u>\$ 244,900</u>	<u>\$ 580,154</u>	<u>\$ 6,061,650</u>	<u>\$ 593,954</u>
Business-type activities:						
Enterprise bonds						
2005 electric revenue bonds	\$ 12,055,000	\$ -	\$ -	\$ 275,000	\$ 11,780,000	\$ 305,000
2007 refunding utility bonds	874,471	-	-	277,744	596,727	293,314
2011 refunding water bonds	2,750,000	(2,750,000)	-	-	-	-
2014 sewer and water bonds	4,715,000	-	-	-	4,715,000	-
2005 electric revenue discount	(86,029)	-	-	(4,525)	(81,504)	(4,528)
2011 refunding water premium	109,036	(109,036)	-	-	-	-
2014 sewer and water premium	274,200	-	-	10,550	263,650	10,546
Total enterprise bonds	<u>20,691,678</u>	<u>(2,859,036)</u>	<u>-</u>	<u>558,769</u>	<u>17,273,873</u>	<u>604,332</u>
Enterprise loans/notes						
Business Oregon	50,186	-	-	7,380	42,806	7,748
Oregon DEQ	<u>16,181,370</u>	<u>-</u>	<u>4,918,630</u>	<u>-</u>	<u>21,100,000</u>	<u>415,265</u>
Total enterprise loans	<u>16,231,556</u>	<u>-</u>	<u>4,918,630</u>	<u>7,380</u>	<u>21,142,806</u>	<u>423,013</u>
Compensated absences	<u>82,174</u>	<u>-</u>	<u>72,606</u>	<u>65,739</u>	<u>89,041</u>	<u>71,233</u>
Total business-type activities	<u>\$ 37,005,408</u>	<u>\$ (2,859,036)</u>	<u>\$ 4,991,236</u>	<u>\$ 631,888</u>	<u>\$ 38,505,720</u>	<u>\$ 1,098,578</u>

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

CITY OF HERMISTON, OREGON
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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 City did not make their bond disclosures on time and some of the disclosures did not include all of the required information. They have worked with bond counsel and filed the notice regarding their failure to provide annual financial information to correct their non-compliance.

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.

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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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
2016	\$ 604,332	\$ 743,714	\$ 351,254	\$ 177,637
2017	639,431	718,798	356,254	170,274
2018	496,018	689,958	376,254	161,896
2019	531,018	669,164	381,254	152,094
2020	571,018	646,333	396,254	139,619
2021-2025	3,565,090	2,807,438	2,101,270	455,145
2026-2030	4,980,090	1,870,648	1,056,710	193,135
2031-2035	4,374,146	664,439	739,025	34,687
2036-2040	1,512,730	150,600	-	-
Total	\$ 17,273,873	\$ 8,961,092	\$ 5,758,275	\$ 1,484,487

Notes payable

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. An interest only payment will be due six months after the project completion date. Annual debt service requirements below are based upon a preliminary repayment schedule required by the loan agreement.

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. An interest only payment will be due six months after the project completion date. Annual debt service requirements below are based upon a preliminary repayment schedule required by the loan agreement.

The City has been approved for an additional loan from the Clean Water State Revolving Loan Fund Loan Program from the Oregon Department of Environmental Quality for 2,500,000 with an interest rate of 2.12%. No funds have been drawn down.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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

Fiscal Year Ending June 30,	Total enterprise loans	
	Principal	Interest
2016	\$ 423,013	\$ 1,307,012
2017	855,460	551,390
2018	878,761	528,180
2019	902,700	504,150
2020	927,300	479,551
2021-2025	4,975,161	2,009,669
2026-2030	5,684,754	1,300,076
2031-2035	6,495,657	489,195
Total	\$ 21,142,806	\$ 7,169,223

6. Garbage Disposal Contract

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

7. 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

Budget and Actual differ from those reported on the modified accrual basis in the fund financial statements because:

- The City budgets debt service payments of proprietary funds as transfers to the Debt Service Fund. The proprietary fund financial statements report debt service payments as reductions of long term debt and interest expense.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- 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, but the fund financial statements report them as transfers.

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds		
Combined General Fund	\$ -	\$ 658,757
State Tax Street Fund	-	544,385
Reserve Fund	2,576,091	-
Bonded Debt Fund	<u>1,517,740</u>	<u>-</u>
Total Major Governmental Funds	4,093,831	1,203,142
Non-major Governmental Funds		
Recreation Reserve Fund	50,210	-
Municipal Court Fund	-	21,316
Law Enforcement Fund	16,106	-
Senior Center Construction Fund	<u>73,360</u>	<u>-</u>
Total Non-major Governmental Funds	139,676	21,316
Proprietary Funds		
Electric Operations	-	1,622,445
Utility Operations	<u>-</u>	<u>1,386,604</u>
Total Proprietary Funds	-	3,009,049
Total All Funds	<u>\$ 4,233,507</u>	<u>\$ 4,233,507</u>

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	\$ 165,000	\$ -
Reserve Fund	-	170,000
Recreation Reserve Fund	55,000	-
Hermiston Urban Renewal Agency	<u>-</u>	<u>50,000</u>
Total	<u>\$ 220,000</u>	<u>\$ 220,000</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

C. Interfund Receivable and Payable

Interfund balances represent prepaid expenses between funds.

	Due To Other Funds	Due From Other Funds
Bonded Debt Fund	\$ 750,691	\$ -
Utility Operations Fund	-	750,691
Total	<u>\$ 750,691</u>	<u>\$ 750,691</u>

8. 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.

The City has the following ongoing construction contracts:

1. Harkenrider Senior Center – In January 2015 the City was awarded a \$2 million Oregon Community Development Block Grant through the Oregon Infrastructure Finance Authority for construction of a new Senior Center. The City must provide a cash contribution of \$73,242 and complete the project by January 29, 2018. The City has incurred \$12,053 on design, survey and appraisal costs.
2. Waterline Extension - This project is for construction of a water main from the Regional Water System's treatment plant on Hwy 207 eastward along Feedville Road, a distance of about 1.5 miles, which will enhance the city's water-delivery capabilities. At June 30, 2015 \$260,675 had been expended life-to-date against a budget of \$1,250,000.
3. Airport Improvements – The City was awarded several state and federal grants totaling \$600,000 during fiscal year ending 2015 and another \$2.9 million awarded by the FAA in September 2015 for taxiway realignment and other improvements at the Hermiston Municipal Airport. Preliminary design was substantially completed by June 2015; construction began in October.
4. EOTEC – The City continues to expend the \$6.4 million grant it received from the state of Oregon to design, construct and equip a multi-million dollar Eastern Oregon Trade and Event Center. Site-work was well underway at the end of June 2015 and substantial completion is expected to occur by the end of March 2016. In conjunction with the project, the City is extending the water distribution and sanitary sewer collection systems to the facility. Construction on the pipeline began in early December 2014 and was approximately 80% complete at June 30, 2015.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

9. 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.

10. 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/Pages/section/financial_reports/financials.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. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

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

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

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

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

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 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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions and employer pick-up contributions for the year ended June 30, 2015 were \$1,046,195, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 15.68 percent for Tier One/Tier Two General Service Member, 15.68 percent for Tier One/Tier Two Police and Fire, 10.84 percent for OPSRP Pension Program General Service Members, 13.57 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, 2015, the City reported an asset of \$1,709,846 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset 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, 2014, the City's proportion was 0.0754 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's recognized pension expense (income) of (\$2,284,916). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,299,312
Changes in proportion and differences between City contributions and proportionate share of contributions	55,652	-
City contributions subsequent to the measurement date	<u>733,439</u>	<u>-</u>
Total	<u>\$ 789,091</u>	<u>\$ 3,299,312</u>

\$733,439 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ (812,730)
2017	(812,730)
2018	(812,730)
2019	(812,730)
2020	7,260
Thereafter	-

E. Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit 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 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. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

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 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

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 2013 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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	100.00%	
Assumed Inflation - Mean		2.75%

G. Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

H. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 3,620,838	\$ (1,709,847)	\$ (6,218,357)

I. Pension plan fiduciary net position

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

J. Payables to the Pension Plan

The City reports payables in the amount of \$47,365 to the pension plan.

K. Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

Certain aspects of how the court decision will be implemented administratively were not yet finalized by PERS, but it is estimated that the City will have a net pension liability of about \$2 million as a result of the decision, instead of the asset reported above.

11. Postemployment Health Insurance Plan

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

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

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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, 2015, 2014 and 2013 were \$28,541, \$32,133 and \$31,203, which equaled the required contributions each year.

12. Joint Venture

In March 2012, the City entered into an intergovernmental agreement with Umatilla County establishing the Eastern Oregon Trade and Event Center Authority, an Oregon municipal corporation, to acquire, construct, own, manage and operate the Eastern Oregon Trade and Event Center. The City contributed land and infrastructure totaling \$1.3 million in 2013. Additionally, the City holds \$3.56 million in restricted grant funds for construction of the facility. The City has approved the Eastern Oregon Trade and Event Center Authority to enter into financing agreements totaling up to \$1.5 million and has committed an additional \$600,000 to assist in capital construction and to cover cost overruns.

The intergovernmental agreement establishing the authority calls for the City and Umatilla County to each own half of the facility, regardless of the amounts contributed by each.

Any funds necessary for operations will be contributed equally by Umatilla County and the City of Hermiston. Either party may contribute unilaterally at its sole discretion. Should the venture dissolve the highest bidder between Umatilla County and the City of Hermiston will receive all assets and liabilities of the authority. The winning bidder will pay one-half of the purchase price to the other.

The city's net position in the joint venture as of June 30, 2015 was \$3,612,241. The current year

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

operations of the Authority resulted in a net gain on investment to the City of \$54,906.

Separate financial statements for the Authority are available from: Eastern Oregon Trade and Event Center Authority, 915 SE Columbia Drive, Hermiston, OR 97838.

13. Prior Period Adjustment

The City recorded the following prior period adjustments:

The City determined that debt recorded in the business activities should have been recorded in governmental activities. The City re-classed debt of \$2,859,036 from business activities to governmental activities for a total financial effect of \$0.

The City recorded a prior period adjustment to reclass \$1,501,658 of their investment in the Eastern Oregon Trade and Event Center from the fund financial statements to the government-wide financial statements for a total financial effect of \$0.

The City recorded a prior period adjustment to record capital assets, accounts receivables, accounts payable, and prepaid expenses that were not recorded in prior years. The City also recorded a prior period adjustment of \$64,321 to remove revolving loans balances that do not belong to the City. The total effect of this prior period adjustment was to increase net position by \$418,354.

14. New Accounting Pronouncement – GASB Statement No. 68 and 71

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The City implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 10 – Defined Benefit Pension Plan and Note 15 - Change in Accounting Principle.

15. Change in Accounting Principle

Based on implementation of GASB Statement No. 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning (as originally reported)	\$ 23,745,026	\$ 22,444,949	\$ 46,189,975
Cumulative effect of change in accounting principle	(2,171,398)	(913,892)	(3,085,290)
Net position - beginning (as restated)	<u>\$ 21,573,628</u>	<u>\$ 21,531,057</u>	<u>\$ 43,104,685</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

16. Subsequent Events

On August 10, 2015, the City Council authorized the City Manager to accept a grant from the Federal Aviation Administration for a grant not to exceed \$3.3 million.

On August 24, 2015, the City Council approved to award the Taxiway and Apron Rehabilitation Phase 2 project to Columbia Pacific Construction.

On October 26, 2015, the City agreed to donate \$600,000 to Eastern Oregon Trade and Event Center.

On December 14, 2015, City Council approved the expenditure of a grant in the amount of \$2,916,000 from the FAA.

On December 14, 2015, City Council authorized the City Manager to sign an Intergovernmental Grant Agreement with the State of Oregon Business Development Department in the amount of \$664,200 for certain improvements to the City of Hermiston Regional Water System.

On December 14, 2015, City Council approved a resolution authorizing the Board of the Eastern Oregon Trade and Event Center Authority to enter into financing agreements totaling up to \$1.5 Million to assist in capital construction using the Eastern Oregon Trade and Event Center property as collateral.

On January 25, 2016 City Council approved a \$664,000 contract amendment for additional work on the Regional Water System. Funding is provided by a Business Oregon grant.

The City received an IOF grant and entered into an agreement with Good Shepherd for the construction of a new street light. The IOF grant covers 50% of construction costs for the new street light and intersection up to \$813,710.

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

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedules
 - Combined General Fund
 - State Tax Street Fund

**CITY OF HERMISTON, OREGON
 COMBINED GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 4,500,000	\$ 4,500,000	\$ 4,917,591	\$ 417,591
Transient room tax	234,280	234,280	340,034	105,754
Licenses and franchise fees	695,350	695,350	787,034	91,684
Charges for services	1,047,480	1,047,489	1,319,512	272,023
Intergovernmental	376,000	376,000	499,937	123,937
Fines and forfeitures	400,000	400,000	583,178	183,178
Interest	30,000	30,000	42,077	12,077
Miscellaneous	87,500	87,500	134,855	47,355
Total revenues	<u>7,370,610</u>	<u>7,370,619</u>	<u>8,624,218</u>	<u>1,253,599</u>
EXPENDITURES:				
Current:				
General government	1,750,680	1,795,280	1,641,926	153,354
Public safety	4,322,090	4,322,590	4,181,397	141,193
Culture and recreation	1,936,350	1,936,350	1,901,896	34,454
Capital outlay	143,813	143,813	125,810	18,003
Total expenditures	<u>8,152,933</u>	<u>8,198,033</u>	<u>7,851,029</u>	<u>347,004</u>
Revenues over (under) expenditures	<u>(782,323)</u>	<u>(827,414)</u>	<u>773,189</u>	<u>1,600,603</u>
OTHER FINANCING SOURCES (USES):				
Interfund loans	(50,000)	(165,000)	(165,000)	-
Transfers out	<u>(482,400)</u>	<u>(658,760)</u>	<u>(658,757)</u>	<u>3</u>
Total other financing sources (uses)	<u>(532,400)</u>	<u>(823,760)</u>	<u>(823,757)</u>	<u>3</u>
Net changes in fund balance	(1,314,723)	(1,651,174)	(50,568)	1,600,606
FUND BALANCE, BEGINNING	1,339,723	1,676,183	4,928,927	3,252,744
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>23,394</u>	<u>23,394</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 25,000</u>	<u>\$ 25,009</u>	4,901,753	<u>\$ 4,876,744</u>
Interfund loan receivable			<u>165,000</u>	
FUND BALANCE, ENDING			<u>\$ 5,066,753</u>	

CITY OF HERMISTON, OREGON
STATE TAX STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,210,000	\$ 1,210,000	\$ 1,138,442	\$ (71,558)
Miscellaneous	-	-	18,028	18,028
Total revenues	<u>1,210,000</u>	<u>1,210,000</u>	<u>1,156,470</u>	<u>(53,530)</u>
EXPENDITURES:				
Current:				
Highway and street:				
Personnel services	552,445	552,445	517,055	35,390
Materials and service	141,170	141,170	118,529	22,641
Total expenditures	<u>693,615</u>	<u>693,615</u>	<u>635,584</u>	<u>58,031</u>
Revenues over (under) expenditures	<u>516,385</u>	<u>516,385</u>	<u>520,886</u>	<u>4,501</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(516,385)</u>	<u>(544,385)</u>	<u>(544,385)</u>	<u>-</u>
Total other financing sources (uses)	<u>(516,385)</u>	<u>(544,385)</u>	<u>(544,385)</u>	<u>-</u>
Net changes in fund balance	-	(28,000)	(23,499)	4,501
FUND BALANCE, BEGINNING	-	28,000	753,109	725,109
PRIOR PERIOD ADJUSTMENT	-	-	72,833	72,833
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 802,443</u>	<u>\$ 802,443</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For The Last Two Fiscal Years

<u>Year Ended June 30,</u>	<u>(a) City's proportion of the net pension liability (asset)</u>	<u>(b) City's proportionate share of the net pension liability (asset)</u>	<u>(c) City's covered payroll</u>	<u>(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	0.07543283%	\$ (1,709,847)	\$ 5,473,635	-31.24%	103.60%
2014	0.07543283%	3,849,448	5,446,273	70.68%	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
For The Last Two 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
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
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

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.

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. 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, 2015. The City had two supplemental budgets during the year-ended June 30, 2015. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2015:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General fund	Municipal Pool	\$12,100
General fund	Recreation	\$232
Municipal court fund	Special payments	\$2,894
Municipal court fund	Transfers out	\$3,116
Conference center fund	Materials and services	\$9,430
Regional water fund	Materials and services	\$24,908
Regional water fund	Capital outlay	\$101,669

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Changes of assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules - Enterprise Funds

COMBINING STATEMENTS

Nonmajor Governmental Funds

Transient Room Tax Fund

This fund account for revenues' collected from the City's transient room tax.

Recreation Reserve Fund

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

Municipal Court Fund

The Municipal Court Fund accounts for bail and fines received and refunds paid.

Miscellaneous Special Revenue Fund

This fund accounts for the CIS wellness grant and certain pass-through payments related to payroll and surcharges due to the state.

Conference Center Fund

The Conference Center Fund accounts for revenues and expenditures relating to the operation of the City's

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 accounts for amounts constrained for the Urban Renewal Agency

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.

CITY OF HERMISTON, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund
ASSETS:				
Cash and cash equivalents	\$ 64,473	\$ 379,595	\$ 43,825	\$ 666,732
Restricted cash	-	-	-	-
Accounts receivable	22,440	-	97,870	-
Property taxes receivable	-	-	-	-
Interfund loan receivable	-	55,000	-	-
	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 86,913</u>	<u>\$ 434,595</u>	<u>\$ 141,695</u>	<u>\$ 666,732</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ 3,024	\$ 19,829	\$ 47,365
Deposits and payables, restricted	-	-	-	-
Interfund loan payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>3,024</u>	<u>19,829</u>	<u>47,365</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property tax revenue	-	-	-	-
Unavailable revenue - municipal court	-	-	97,870	-
	<u>-</u>	<u>-</u>	<u>97,870</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>97,870</u>	<u>-</u>
FUND BALANCES:				
Restricted for:				
Culture and recreation	-	90,650	-	-
Public safety	-	-	-	-
Economic development	86,913	-	-	-
Committed to:				
Municipal court	-	-	23,996	-
Culture and recreation	-	340,921	-	-
Economic development	-	-	-	-
Public safety	-	-	-	-
Insurance reserve	-	-	-	542,554
Other reserves	-	-	-	76,813
	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,813</u>
Total fund balances	<u>86,913</u>	<u>431,571</u>	<u>23,996</u>	<u>619,367</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 86,913</u>	<u>\$ 434,595</u>	<u>\$ 141,695</u>	<u>\$ 666,732</u>

Conference Center Fund	Law Enforcement Fund	Library Reserve Fund	Hermiston Urban Renewal Agency	Senior Center Construction Fund	Total
\$ 78,320	\$ 57,118	\$ 53,288	\$ 60,727	\$ 72,832	\$ 1,476,910
11,290	34,179	-	-	-	45,469
-	-	-	-	-	120,310
-	-	-	499	-	499
-	-	-	-	-	55,000
<u>\$ 89,610</u>	<u>\$ 91,297</u>	<u>\$ 53,288</u>	<u>\$ 61,226</u>	<u>\$ 72,832</u>	<u>\$ 1,698,188</u>
\$ 25,712	\$ -	\$ -	\$ 4,299	\$ -	\$ 100,229
11,290	34,179	-	-	-	45,469
-	-	-	50,000	-	50,000
<u>37,002</u>	<u>34,179</u>	<u>-</u>	<u>54,299</u>	<u>-</u>	<u>195,698</u>
-	-	-	426	-	426
-	-	-	-	-	97,870
-	-	-	426	-	98,296
-	-	9,403	-	-	100,053
-	11,048	-	-	-	11,048
-	-	-	-	-	86,913
-	-	-	-	-	23,996
52,608	-	43,885	-	72,832	510,246
-	-	-	6,501	-	6,501
-	46,070	-	-	-	46,070
-	-	-	-	-	542,554
-	-	-	-	-	76,813
<u>52,608</u>	<u>57,118</u>	<u>53,288</u>	<u>6,501</u>	<u>72,832</u>	<u>1,404,194</u>
<u>\$ 89,610</u>	<u>\$ 91,297</u>	<u>\$ 53,288</u>	<u>\$ 61,226</u>	<u>\$ 72,832</u>	<u>\$ 1,698,188</u>

**CITY OF HERMISTON, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015**

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Transient room tax	78,788	-	-	-
Licenses and franchise fees	-	-	-	-
Grants	-	36,804	-	-
Charges for service	-	83,193	-	84,296
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	204,789	-
Special assessments	-	-	-	-
Contributions and donations	-	11,903	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	27,500
Total revenues	78,788	131,900	204,789	111,796
EXPENDITURES:				
Current:				
General government	-	-	175,879	16,773
Public safety	-	-	-	-
Culture and recreation	-	94,007	-	-
Economic development	66,874	-	-	-
Capital outlay	-	-	-	26,048
Total expenditures	66,874	94,007	175,879	42,821
Revenues over (under) expenditures	11,914	37,893	28,910	68,975
OTHER FINANCING SOURCES (USES):				
Transfers in	-	50,210	-	-
Transfers out	-	-	(21,316)	-
Total other financing sources (uses)	-	50,210	(21,316)	-
Net change in fund balances	11,914	88,103	7,594	68,975
FUND BALANCES, BEGINNING	55,841	343,468	16,402	550,392
PRIOR PERIOD ADJUSTMENT	19,158	-	-	-
FUND BALANCES, ENDING	\$ 86,913	\$ 431,571	\$ 23,996	\$ 619,367

Conference Center Fund	Law Enforcement Fund	Library Reserve Fund	Hermiston Urban Renewal Agency	Senior Center Construction Fund	Total
\$ -	\$ -	\$ -	\$ 16,834	\$ -	\$ 16,834
-	-	-	-	-	78,788
-	-	-	-	-	-
-	35,960	3,848	-	-	76,612
107,792	-	3,877	-	-	279,158
-	-	-	-	-	-
-	-	-	-	-	-
-	-	14,058	-	-	218,847
-	-	-	-	-	-
-	13,790	5,171	-	-	30,864
-	-	-	-	-	-
5,025	-	-	-	-	32,525
<u>112,817</u>	<u>49,750</u>	<u>26,954</u>	<u>16,834</u>	<u>-</u>	<u>733,628</u>
-	-	-	-	-	192,652
-	45,523	-	-	-	45,523
101,895	-	17,986	-	-	213,888
-	-	-	10,333	-	77,207
-	-	9,047	-	528	35,623
<u>101,895</u>	<u>45,523</u>	<u>27,033</u>	<u>10,333</u>	<u>528</u>	<u>564,893</u>
<u>10,922</u>	<u>4,227</u>	<u>(79)</u>	<u>6,501</u>	<u>(528)</u>	<u>168,735</u>
-	16,106	-	-	73,360	139,676
-	-	-	-	-	(21,316)
<u>-</u>	<u>16,106</u>	<u>-</u>	<u>-</u>	<u>73,360</u>	<u>118,360</u>
10,922	20,333	(79)	6,501	72,832	287,095
51,312	36,785	53,367	-	-	1,107,567
(9,626)	-	-	-	-	9,532
<u>\$ 52,608</u>	<u>\$ 57,118</u>	<u>\$ 53,288</u>	<u>\$ 6,501</u>	<u>\$ 72,832</u>	<u>\$ 1,404,194</u>

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BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Governmental Budgetary Comparison Schedules included the following:

- General Fund Schedule of Expenditures
- Reserve Fund
- Bonded Debt Fund
- EOTEC Construction Fund
- Nonmajor Governmental Funds
 - Transient Room Tax Fund
 - Recreation Reserve Fund
 - Municipal Court Fund
 - Miscellaneous Special Revenue Fund
 - Conference Center Fund
 - Law Enforcement Fund
 - Library Reserve Fund
 - Hermiston Urban Renewal Agency
 - Senior Center Construction Fund

**CITY OF HERMISTON, OREGON
 COMBINED GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
City Council:				
Personnel services	\$ 14,400	\$ 14,400	\$ 13,930	\$ 470
Materials and services	18,000	18,000	7,963	10,037
Subtotal	32,400	32,400	21,893	10,507
Manager/Planning:				
Personnel services	296,605	334,605	311,438	23,167
Materials and services	35,750	35,750	20,229	15,521
Subtotal	332,355	370,355	331,667	38,688
Finance:				
Personnel services	49,560	49,560	34,353	15,207
Materials and services	17,090	17,090	17,400	(310)
Subtotal	66,650	66,650	51,753	14,897
Legal:				
Materials and services	186,000	186,000	183,697	2,303
Capital outlay	300	300	-	300
Subtotal	186,300	186,300	183,697	2,603
Court:				
Personnel services	215,350	215,350	214,828	522
Materials and services	8,750	9,250	9,230	20
Subtotal	224,100	224,600	224,058	542
Transportation:				
Materials and services	188,375	188,375	159,853	28,522
Subtotal	188,375	188,375	159,853	28,522
Airport:				
Materials and services	209,700	216,300	187,954	28,346
Capital outlay	17,000	17,000	10,733	6,267
Subtotal	226,700	233,300	198,687	34,613
Building Inspections:				
Personnel services	310,625	310,625	305,055	5,570
Materials and services	23,675	23,675	18,708	4,967
Subtotal	334,300	334,300	323,763	10,537
Parks:				
Personnel services	288,550	288,550	283,544	5,006
Materials and services	143,750	143,750	149,986	(6,236)
Capital outlay	10,000	10,000	-	10,000
Subtotal	442,300	442,300	433,530	8,770

**CITY OF HERMISTON, OREGON
 COMBINED GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Continued:				
Municipal Pool:				
Personnel services	231,650	231,650	232,276	(626)
Materials and services	143,700	143,700	155,174	(11,474)
Subtotal	375,350	375,350	387,450	(12,100)
Municipal Building:				
Materials and services	11,400	11,400	10,740	660
Subtotal	11,400	11,400	10,740	660
Library:				
Personnel services	568,735	568,735	525,474	43,261
Materials and services	52,565	52,565	47,810	4,755
Capital outlay	20,500	20,500	20,528	(28)
Subtotal	641,800	641,800	593,812	47,988
Recreation:				
Personnel services	400,350	400,350	400,584	(234)
Materials and services	16,150	16,150	16,148	2
Subtotal	416,500	416,500	416,732	(232)
Conference Center:				
Materials and services	90,900	90,900	90,900	-
Subtotal	90,900	90,900	90,900	-
Public Safety Center:				
Materials and services	87,500	87,500	81,042	6,458
Subtotal	87,500	87,500	81,042	6,458
Police Operations:				
Personnel services	3,428,965	3,428,965	3,359,481	69,484
Materials and services	581,525	581,525	516,816	64,709
Capital outlay	84,800	84,800	83,337	1,463
Subtotal	4,095,290	4,095,290	3,959,634	135,656
Non-departmental:				
Materials and services	389,500	389,500	370,606	18,894
Capital outlay	11,213	11,213	11,212	1
Subtotal	400,713	400,713	381,818	18,895
Total expenditures	<u>\$ 8,152,933</u>	<u>\$ 8,198,033</u>	<u>\$ 7,851,029</u>	<u>\$ 347,004</u>

CITY OF HERMISTON, OREGON
RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Transient room tax	66,940	66,940	96,630	29,690
Licenses and franchise fees	-	-	-	-
Grants	-	600,000	309,937	(290,063)
Interest	3,350	3,350	45,622	42,272
System development charges	-	-	55,789	55,789
Total revenues	70,290	670,290	507,978	(162,312)
EXPENDITURES:				
Materials and service	453,240	484,490	327,103	157,387
Capital outlay	4,279,737	5,271,737	1,421,581	3,850,156
Total expenditures	4,732,977	5,756,227	1,748,684	4,007,543
Revenues over (under) expenditures	(4,662,687)	(5,085,937)	(1,240,706)	3,845,231
OTHER FINANCING SOURCES (USES):				
Interfund loans	-	170,000	170,000	-
Transfers in	1,123,541	2,625,541	2,576,091	(49,450)
Total other financing sources (uses)	1,123,541	2,795,541	2,746,091	(49,450)
Net changes in fund balance	(3,539,146)	(2,290,396)	1,505,385	3,795,781
FUND BALANCE, BEGINNING	3,539,146	3,680,396	4,500,805	820,409
PRIOR PERIOD ADJUSTMENT	-	-	(20,464)	(20,464)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ 1,390,000	5,985,726	\$ 4,595,726
Interfund loan payable			(170,000)	
FUND BALANCE, ENDING			\$ 5,815,726	

CITY OF HERMISTON, OREGON
BONDED DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 322,125	\$ 322,125	\$ 315,737	\$ (6,388)
Total revenues	322,125	322,125	315,737	(6,388)
EXPENDITURES:				
Debt service:				
Principal	892,633	892,633	890,124	2,509
Interest	1,697,927	1,697,927	946,242	751,685
Total expenditures	2,590,560	2,590,560	1,836,366	754,194
Revenues over (under) expenditures	(2,268,435)	(2,268,435)	(1,520,629)	747,806
OTHER FINANCING SOURCES (USES):				
Transfers in	2,268,435	2,268,435	1,517,740	(750,695)
Total other financing sources (uses)	2,268,435	2,268,435	1,517,740	(750,695)
Net changes in fund balances	-	-	(2,889)	(2,889)
FUND BALANCE, BEGINNING	-	-	316,336	316,336
FUND BALANCE, ENDING	\$ -	\$ -	\$ 313,447	\$ 313,447

CITY OF HERMISTON, OREGON
EOTEC CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ -	\$ 2,541,930	\$ 2,541,930
Total revenues	-	-	2,541,930	2,541,930
EXPENDITURES:				
Capital outlay	6,000,000	6,000,000	2,541,930	3,458,070
Total expenditures	6,000,000	6,000,000	2,541,930	3,458,070
Net changes in fund balances	(6,000,000)	(6,000,000)	-	6,000,000
FUND BALANCE, BEGINNING	6,000,000	6,000,000	1,501,658	(4,498,342)
PRIOR PERIOD ADJUSTMENT	-	-	(1,501,658)	(1,501,658)
FUND BALANCE, ENDING	\$ -	\$ -	\$ -	\$ -

CITY OF HERMISTON, OREGON
TRANSIENT ROOM TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES:				
Transient room tax	\$ 55,780	\$ 55,780	\$ 78,788	\$ 23,008
Total revenues	55,780	55,780	78,788	23,008
EXPENDITURES:				
Materials and service	70,000	70,000	66,874	3,126
Total expenditures	70,000	70,000	66,874	3,126
Net changes in fund balances	(14,220)	(14,220)	11,914	26,134
FUND BALANCE, BEGINNING	14,220	14,220	55,841	41,621
PRIOR PERIOD ADJUSTMENT	-	-	19,158	19,158
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,913</u>	<u>\$ 86,913</u>

**CITY OF HERMISTON, OREGON
RECREATION RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ -	\$ 36,804	\$ 36,804
Charges for service	111,500	111,500	83,193	(28,307)
Contributions and donations	-	-	11,903	11,903
Total revenues	111,500	111,500	131,900	20,400
EXPENDITURES:				
Materials and service	133,500	133,500	94,007	39,493
Capital outlay	-	90,000	-	90,000
Total expenditures	133,500	223,500	94,007	129,493
Revenues over (under) expenditures	(22,000)	(112,000)	37,893	149,893
OTHER FINANCING SOURCES (USES):				
Interfund loans	-	(55,000)	(55,000)	-
Transfers in	4,000	49,700	50,210	510
Total other financing sources (uses)	4,000	(5,300)	(4,790)	510
Net changes in fund balance	(18,000)	(117,300)	33,103	150,403
FUND BALANCE, BEGINNING BUDGETARY BASIS	18,000	118,000	343,468	225,468
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ 700	376,571	\$ 375,871
Interfund loan receivable			55,000	
FUND BALANCE, ENDING			\$ 431,571	

CITY OF HERMISTON, OREGON
MUNICIPAL COURT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 180,000	\$ 200,000	\$ 204,789	\$ 4,789
Total revenues	180,000	200,000	204,789	4,789
EXPENDITURES:				
Materials and service	10,500	17,800	8,985	8,815
Total expenditures	10,500	17,800	8,985	8,815
Revenues over (under) expenditures	169,500	182,200	195,804	13,604
OTHER FINANCING SOURCES (USES):				
Special payments	(155,000)	(164,000)	(166,894)	(2,894)
Transfers out	(14,500)	(18,200)	(21,316)	(3,116)
Total other financing sources (uses)	(169,500)	(182,200)	(188,210)	(6,010)
Net changes in fund balance	-	-	7,594	7,594
FUND BALANCE, BEGINNING	-	-	16,402	16,402
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,996</u>	<u>\$ 23,996</u>

CITY OF HERMISTON, OREGON
MISCELLANEOUS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 25,000	\$ 25,000	\$ 84,296	\$ 59,296
Miscellaneous	-	-	27,500	27,500
Total revenues	25,000	25,000	111,796	86,796
EXPENDITURES:				
Materials and service	10,000	10,000	-	10,000
Capital outlay	-	-	26,048	(26,048) *
Total expenditures	10,000	10,000	26,048	(16,048)
Revenues over (under) expenditures	15,000	15,000	85,748	70,748
OTHER FINANCING SOURCES (USES):				
Special payments	(25,000)	(25,000)	(16,773)	8,227
Total other financing sources (uses)	(25,000)	(25,000)	(16,773)	8,227
Net changes in fund balance	(10,000)	(10,000)	68,975	78,975
FUND BALANCE, BEGINNING	10,000	10,000	550,392	540,392
FUND BALANCE, ENDING	\$ -	\$ -	\$ 619,367	\$ 619,367

* Paid from insurance proceeds, exempt from Oregon budget law

**CITY OF HERMISTON, OREGON
CONFERENCE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 154,350	\$ 154,350	\$ 172,142	\$ 17,792
Miscellaneous	4,000	4,000	5,025	1,025
Total revenues	<u>158,350</u>	<u>158,350</u>	<u>177,167</u>	<u>18,817</u>
EXPENDITURES:				
Materials and service	<u>156,815</u>	<u>156,815</u>	<u>166,245</u>	<u>(9,430)</u>
Total expenditures	<u>156,815</u>	<u>156,815</u>	<u>166,245</u>	<u>(9,430)</u>
Revenues over (under) expenditures	1,535	1,535	10,922	9,387
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,535)</u>	<u>(1,535)</u>	<u>-</u>	<u>1,535</u>
Total other financing sources (uses)	<u>(1,535)</u>	<u>(1,535)</u>	<u>-</u>	<u>1,535</u>
Net changes in fund balance	-	-	10,922	10,922
FUND BALANCE, BEGINNING	-	-	51,312	51,312
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>(9,626)</u>	<u>(9,626)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,608</u>	<u>\$ 52,608</u>

CITY OF HERMISTON, OREGON
LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ 7,100	\$ 40,400	\$ 35,960	\$ (4,440)
Contributions and donations	15,000	15,414	13,790	(1,624)
Total revenues	22,100	55,814	49,750	(6,064)
EXPENDITURES:				
Personnel services	3,100	10,000	8,895	1,105
Materials and service	39,000	65,814	36,628	29,186
Total expenditures	42,100	75,814	45,523	30,291
Revenues over (under) expenditures	(20,000)	(20,000)	4,227	24,227
OTHER FINANCING SOURCES (USES):				
Transfers in	8,000	11,000	16,106	5,106
Total other financing sources (uses)	8,000	11,000	16,106	5,106
Net changes in fund balance	(12,000)	(9,000)	20,333	29,333
FUND BALANCE, BEGINNING	12,000	12,000	36,785	24,785
FUND BALANCE, ENDING	\$ -	\$ 3,000	\$ 57,118	\$ 54,118

CITY OF HERMISTON, OREGON
LIBRARY RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ 4,800	\$ 4,800	\$ 3,848	\$ (952)
Charges for service	1,500	1,500	3,877	2,377
Fines and forfeitures	17,000	17,000	14,058	(2,942)
Contributions and donations	3,000	3,000	5,171	2,171
Total revenues	26,300	26,300	26,954	654
EXPENDITURES:				
Materials and service	33,500	33,500	17,986	15,514
Capital outlay	15,000	15,000	9,047	5,953
Total expenditures	48,500	48,500	27,033	21,467
Net changes in fund balance	(22,200)	(22,200)	(79)	22,121
FUND BALANCE, BEGINNING	22,200	22,200	53,367	31,167
FUND BALANCE, ENDING	\$ -	\$ -	\$ 53,288	\$ 53,288

**CITY OF HERMISTON, OREGON
HERMISTON URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ -	\$ -	\$ 16,834	\$ 16,834
Total revenues	-	-	16,834	16,834
EXPENDITURES:				
Materials and service	50,000	50,000	10,333	39,667
Total expenditures	50,000	50,000	10,333	39,667
Revenues over (under) expenditures	(50,000)	(50,000)	6,501	56,501
OTHER FINANCING SOURCES (USES):				
Interfund loans	50,000	50,000	50,000	-
Net changes in fund balances	-	-	56,501	56,501
FUND BALANCES, BEGINNING BUDGETARY BASIS		-	-	-
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	56,501	\$ 56,501
Interfund loan payable			(50,000)	
FUND BALANCE, ENDING			\$ 6,501	

CITY OF HERMISTON, OREGON
SENIOR CENTER CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ 2,000,000	\$ -	\$ (2,000,000)
Total revenues	-	2,000,000	-	(2,000,000)
EXPENDITURES:				
Capital outlay	-	2,073,360	528	2,072,832
Total expenditures	-	2,073,360	528	2,072,832
Revenues over (under) expenditures	-	(73,360)	(528)	72,832
OTHER FINANCING SOURCES (USES):				
Transfers in	-	73,360	73,360	-
Total other financing sources (uses)	-	73,360	73,360	-
Net changes in fund balances	-	-	72,832	72,832
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ 72,832	\$ 72,832

BUDGETARY COMPARISON STATEMENTS AND SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison statements and schedules include the following:

- Electricity Operations
 - Hermiston Energy Services Fund

- Utility Operations
 - Utility Fund
 - 2014 Water & Sewer Revenue Bond Fund
 - RWTP Construction Fund

- Regional Water Operations

CITY OF HERMISTON, OREGON
HERMISTON ENERGY SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 7,485,000	\$ 7,485,000	\$ 7,397,090	\$ (87,910)
Interest	5,000	5,000	49,408	44,408
Miscellaneous	85,000	85,000	114,416	29,416
Total revenues	7,575,000	7,575,000	7,560,914	(14,086)
EXPENDITURES:				
Personnel services	302,895	325,895	293,403	32,492
Materials and service	6,751,537	6,751,537	6,483,518	268,019
Capital outlay	455,000	455,000	431,128	23,872
Total expenditures	7,509,432	7,532,432	7,208,049	324,383
Revenues over (under) expenditures	65,568	42,568	352,865	310,297
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,022,446)	(1,622,446)	(1,622,445)	1
Total other financing sources (uses)	(1,022,446)	(1,622,446)	(1,622,445)	1
Net changes in fund balance	(956,878)	(1,579,878)	(1,269,580)	310,298
FUND BALANCE, BEGINNING BUDGETARY BASIS	956,878	1,579,878	4,736,048	3,156,170
PRIOR PERIOD ADJUSTMENT	-	-	(82,559)	(82,559)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	3,383,909	<u>\$ 3,383,909</u>
RECONCILIATION TO NET POSITION - GAAP BASIS				
Prepaid items			104,486	
Net pension asset			65,547	
Capital assets, net			11,027,080	
Deferred outflows related to pension			30,251	
Deferred charge on refunding			66,034	
Accrued interest payable			(129,737)	
Current portion of long-term debt			(300,472)	
Noncurrent portion of long-term debt			(11,398,024)	
Deferred inflows related to pension			(126,480)	
NET POSITION			<u>\$ 2,722,594</u>	

CITY OF HERMISTON, OREGON
UTILITY OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015

	<u>Utility Fund</u>	<u>2014 Water & Sewer Revenue Bond Fund</u>	<u>RWTP Construction Fund</u>	<u>Total Utility Operations</u>
REVENUES:				
Charges for service	\$ 4,913,043	\$ -	\$ -	\$ 4,913,043
Special assessments	20,786	-	-	20,786
Interest	9,090	18,142	-	27,232
Total revenues	<u>4,942,919</u>	<u>18,142</u>	<u>-</u>	<u>4,961,061</u>
EXPENDITURES:				
Water	1,585,433	-	-	1,585,433
Sewer	1,686,166	-	-	1,686,166
Capital outlay	4,990	3,872,020	199,313	4,076,323
Total expenditures	<u>3,276,589</u>	<u>3,872,020</u>	<u>199,313</u>	<u>7,347,922</u>
Revenues over (under) expenditures	<u>1,666,330</u>	<u>(3,853,878)</u>	<u>(199,313)</u>	<u>(2,386,861)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	4,918,630	4,918,630
Transfers out	(1,386,604)	-	-	(1,386,604)
Total other financing sources (uses)	<u>(1,386,604)</u>	<u>-</u>	<u>4,918,630</u>	<u>3,532,026</u>
Net change in fund balances	279,726	(3,853,878)	4,719,317	1,145,165
FUND BALANCES, BEGINNING BUDGETARY BASIS	3,646,772	4,797,662	(4,930,855)	3,513,579
PRIOR PERIOD ADJUSTMENT	<u>82,174</u>	<u>-</u>	<u>(826,033)</u>	<u>(743,859)</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 4,008,672</u>	<u>\$ 943,784</u>	<u>\$ (1,037,571)</u>	3,914,885
RECONCILIATION TO NET POSITION - GAAP BASIS				
Prepaid items				29,000
Net pension asset				408,858
Capital assets, net				39,746,216
Deferred outflows related to pension				188,687
Accrued interest payable				(917,104)
Current portion of long-term debt				(798,106)
Noncurrent portion of long-term debt				(26,009,118)
Deferred inflows related to pension				<u>(788,931)</u>
NET POSITION				<u>\$ 15,774,387</u>

CITY OF HERMISTON, OREGON
UTILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 4,530,010	\$ 4,530,010	\$ 4,913,043	\$ 383,033
Special assessments	20,000	20,000	20,786	786
Interest	5,000	5,000	9,090	4,090
Total revenues	<u>4,555,010</u>	<u>4,555,010</u>	<u>4,942,919</u>	<u>387,909</u>
EXPENDITURES:				
Sewer	1,619,515	1,736,015	1,691,156	44,859
Water	1,614,200	1,645,650	1,585,433	60,217
Total expenditures	<u>3,233,715</u>	<u>3,381,665</u>	<u>3,276,589</u>	<u>105,076</u>
Revenues over (under) expenditures	<u>1,321,295</u>	<u>1,173,345</u>	<u>1,666,330</u>	<u>492,985</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,321,295)</u>	<u>(2,137,295)</u>	<u>(1,386,604)</u>	<u>750,691</u>
Total other financing sources (uses)	<u>(1,321,295)</u>	<u>(2,137,295)</u>	<u>(1,386,604)</u>	<u>750,691</u>
Net changes in fund balance	-	(963,950)	279,726	1,243,676
FUND BALANCE, BEGINNING	-	963,950	3,646,772	2,682,822
PRIOR PERIOD ADJUSTMENT	-	-	82,174	82,174
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,008,672</u>	<u>\$ 4,008,672</u>

CITY OF HERMISTON, OREGON
2014 WATER & SEWER REVENUE BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 18,142	\$ 18,142
Total revenues	-	-	18,142	18,142
EXPENDITURES:				
Capital outlay	5,300,000	5,300,000	3,872,020	1,427,980
Total expenditures	5,300,000	5,300,000	3,872,020	1,427,980
Revenues over (under) expenditures	(5,300,000)	(5,300,000)	(3,853,878)	1,446,122
OTHER FINANCING SOURCES (USES):				
Issuance of debt	5,300,000	5,300,000	-	(5,300,000)
Total other financing sources (uses)	5,300,000	5,300,000	-	(5,300,000)
Net changes in fund balance	-	-	(3,853,878)	(3,853,878)
FUND BALANCE, BEGINNING	-	-	4,797,662	4,797,662
FUND BALANCE, ENDING	\$ -	\$ -	\$ 943,784	\$ 943,784

CITY OF HERMISTON, OREGON
RWTP CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 4,000,000	\$ 4,000,000	\$ 199,313	\$ 3,800,687
Total expenditures	4,000,000	4,000,000	199,313	3,800,687
Revenues over (under) expenditures	(4,000,000)	(4,000,000)	(199,313)	3,800,687
OTHER FINANCING SOURCES (USES):				
Issuance of debt	4,000,000	4,000,000	4,918,630	918,630
Total other financing sources (uses)	4,000,000	4,000,000	4,918,630	918,630
Net changes in fund balance	-	-	4,719,317	4,719,317
FUND BALANCE, BEGINNING	-	-	(4,930,855)	(4,930,855)
PRIOR PERIOD ADJUSTMENT	-	-	(826,033)	(826,033)
FUND BALANCE, ENDING	\$ -	\$ -	\$ (1,037,571)	\$ (1,037,571)

**CITY OF HERMISTON, OREGON
REGIONAL WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 445,000	\$ 612,530	\$ 567,099	\$ (45,431)
Miscellaneous	-	-	212,801	212,801
Total revenues	<u>445,000</u>	<u>612,530</u>	<u>779,900</u>	<u>167,370</u>
EXPENDITURES:				
Personnel services	149,497	149,497	147,233	2,264
Materials and service	444,069	509,069	533,977	(24,908)
Capital outlay	-	102,530	204,199	(101,669)
Total expenditures	<u>593,566</u>	<u>761,096</u>	<u>885,409</u>	<u>(124,313)</u>
Net changes in fund balance	(148,566)	(148,566)	(105,509)	43,057
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>148,566</u>	<u>148,566</u>	<u>874,486</u>	<u>725,920</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	768,977	<u>\$ 768,977</u>
RECONCILIATION TO NET POSITION - GAAP BASIS				
Prepaid items			2,000	
Net pension asset			32,067	
Capital assets, net			5,809,034	
Deferred outflows related to pension			14,798	
Deferred inflows related to pension			<u>(61,876)</u>	
NET POSITION			<u>\$ 6,565,000</u>	

OTHER FINANCIAL SCHEDULES

CITY OF HERMISTON, OREGON
RESERVE FUND
SCHEDULE OF DETAIL ALLOCATIONS
For the Fiscal Year Ended June 30, 2015

City Ordinances have established specific allocations of the Reserve Fund. The following schedule presents the allocations of the 2014-15 transactions to their specified purposes.

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In (Out)</u>	<u>Ending Balance</u>
<u>ALLOCATIONS:</u>						
Office equipment, finance	\$ 79,764	\$ -	\$ -	\$ 32,165	\$ 1,000	\$ 48,599
Airport improvements	95,184	(32,733)	293,138	265,374	40,000	130,215
Tourism	108,339	11,495	48,315	83,467	-	84,682
Parks development	17,922	11,495	48,314	20,062	-	57,669
Bicycle trails	20,102	-	-	-	9,500	29,602
Parks-SDC	16,473	-	20,800	-	-	37,273
Skate park	-	-	-	-	5,000	5,000
Victory square park	-	-	-	-	8,000	8,000
Street equipment	99,699	-	-	-	41,085	140,784
Street maintenance	(90,046)	-	-	192,653	282,800	101
Street construction	117,944	-	-	-	133,000	250,944
Traffic control 11th & Elm	-	-	-	-	360,000	360,000
Elm entrance	-	-	-	-	39,000	39,000
Pioneer hi-bred improvements	350,000	-	-	185,550	-	164,450
Sewer department equipment	22,736	-	-	9,750	10,000	22,986
Wastewater treatment plant	376	-	-	-	-	376
Sanitary sewer-SDC	40,147	-	14,127	-	-	54,274
Water department equipment	922	-	-	12,818	40,000	28,104
Water-SDC	321,872	-	20,862	-	-	342,734
Utility construction	1,757,406	-	-	722,457	-	1,034,949
Regional water system	454,382	(10,721)	-	79,901	-	363,760
HES improvements	1,013,237	-	-	143,839	216,706	1,086,104
Hermiston Conference Center	19,913	-	-	648	-	19,265
Reserved for future appropriation	-	-	-	-	-	-
Utility-RSA	-	-	-	-	790,000	790,000
HES-RSA	-	-	-	-	600,000	600,000
Belt park	-	-	16,800	-	-	16,800
Accrued investment interest	54,433	-	45,622	-	-	100,055
	<u>\$ 4,500,805</u>	<u>\$ (20,464)</u>	<u>\$ 507,978</u>	<u>\$ 1,748,684</u>	<u>\$ 2,576,091</u>	<u>\$ 5,815,726</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Hermiston's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, required supplementary information, and other supplementary information says about the City's overall financial health.

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Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	94
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.	99
Operating Information These schedules contain service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.	102

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

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FINANCIAL TRENDS

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

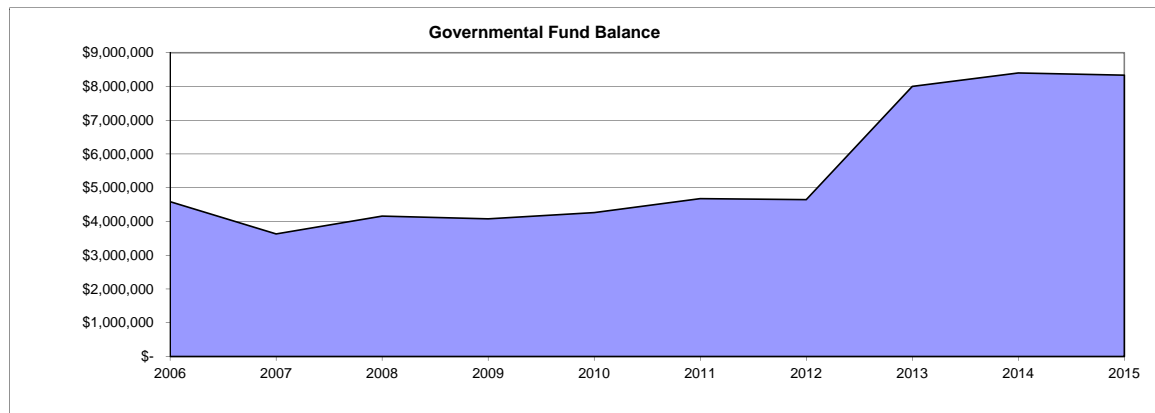
	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 9,887,805	\$ 10,131,151	\$ 10,154,901	\$ 11,044,310	\$ 10,528,230	\$ 10,134,287	\$ 10,029,017	\$ 9,715,119	\$ 9,863,841	\$ 9,442,030
Restricted	205,077	163,822	-	-	1,464,314	3,008,653	2,600,026	2,576,299	1,721,429	2,238,796
Unrestricted	7,290,425	6,954,122	7,695,156	6,954,921	6,952,059	6,863,876	7,728,375	11,030,627	12,159,756	11,780,711
Total governmental activities net position	\$ 17,383,307	\$ 17,249,095	\$ 17,850,057	\$ 17,999,231	\$ 18,944,603	\$ 20,006,816	\$ 20,357,418	\$ 23,322,045	\$ 23,745,026	\$ 23,461,537
Business-type activities										
Net investment in capital assets	\$ 11,322,943	\$ 11,882,356	\$ 12,732,231	\$ 13,354,046	\$ 13,514,719	\$ 13,755,811	\$ 16,380,313	\$ 16,894,261	\$ 13,797,360	\$ 19,175,468
Restricted	-	-	-	-	-	-	-	-	4,766,504	910,400
Unrestricted	4,270,931	4,549,326	4,329,193	5,118,808	6,377,130	7,516,778	5,967,255	5,554,338	3,881,085	4,976,113
Total business-type activities net position	\$ 15,593,874	\$ 16,431,682	\$ 17,061,424	\$ 18,472,854	\$ 19,891,849	\$ 21,272,589	\$ 22,347,568	\$ 22,448,599	\$ 22,444,949	\$ 25,061,981
Primary government										
Net investment in capital assets	\$ 21,210,748	\$ 22,013,507	\$ 22,887,132	\$ 24,398,356	\$ 24,042,949	\$ 23,890,098	\$ 26,409,330	\$ 26,609,380	\$ 23,661,201	\$ 25,998,378
Restricted	205,077	163,822	-	-	1,464,314	3,008,653	2,600,026	2,576,299	6,487,933	3,149,196
Unrestricted	11,561,356	11,503,448	12,024,349	12,073,729	13,329,189	14,380,654	13,695,630	16,584,965	16,040,841	19,375,944
Total primary government net position	\$ 32,977,181	\$ 33,680,777	\$ 34,911,481	\$ 36,472,085	\$ 38,836,452	\$ 41,279,405	\$ 42,704,986	\$ 45,770,644	\$ 46,189,975	\$ 48,523,518

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

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 1,991,504	\$ 2,006,173	\$ 2,205,586	\$ 2,738,726	\$ 2,143,638	\$ 2,119,150	\$ 2,074,334	\$ 2,380,875	\$ 2,235,974	\$ 2,228,173
Public safety	2,978,182	3,092,095	3,252,838	3,500,312	3,354,236	3,296,096	3,577,922	4,018,606	4,206,167	3,435,296
Highways and streets	1,136,532	1,126,117	1,195,630	1,152,628	1,069,663	946,193	961,303	1,011,422	1,137,768	900,581
Economic development	-	-	55,184	93,848	129,900	15,500	-	-	-	77,207
Culture and recreation	2,360,265	2,479,135	2,472,003	2,566,970	2,526,414	2,471,410	2,546,523	2,740,214	2,574,869	3,314,985
Interest on long-term debt	158,624	157,475	149,829	148,356	147,203	145,981	144,209	68,386	79,275	164,052
Total governmental activities expenses	8,625,107	8,860,995	9,331,070	10,200,840	9,371,054	8,994,330	9,304,291	10,219,503	10,234,053	10,120,294
Business-type activities:										
Water	2,438,335	2,640,632	2,631,598	2,565,373	2,404,046	2,776,865	3,021,393	2,427,322	2,958,897	2,407,687
Sewer	1,600,498	1,634,939	1,555,313	1,689,890	1,471,120	1,407,654	1,424,785	1,686,417	1,839,835	1,932,688
Electric Operations	6,340,380	6,559,288	6,397,294	6,270,607	6,562,822	6,600,863	6,852,679	7,081,396	7,484,555	7,380,813
Total business-type activities expenses	10,379,213	10,834,859	10,584,205	10,525,870	10,437,988	10,785,382	11,298,857	11,195,135	12,283,287	11,721,188
Total primary government expenses	\$ 19,004,320	\$ 19,695,854	\$ 19,915,275	\$ 20,726,710	\$ 19,809,042	\$ 19,779,712	\$ 20,603,148	\$ 21,414,638	\$ 22,517,340	\$ 21,841,482
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,093,736	\$ 1,074,679	\$ 646,032	\$ 1,013,349	\$ 987,958	\$ 665,312	\$ 551,825	\$ 635,560	\$ 846,514	\$ 593,195
Public Safety	110,257	104,110	644,475	681,836	825,617	819,888	762,125	827,126	777,567	911,960
Cultural and recreation	501,993	533,716	572,890	405,375	617,699	638,879	673,172	701,662	618,789	699,689
Economic development	-	-	-	-	-	-	-	-	-	195,851
Operating grants and contributions	92,995	154,949	130,437	225,092	231,061	503,157	93,004	91,517	92,624	1,160,072
Capital grants and contributions	-	387,466	322,692	1,194,254	236,413	199,858	376,926	401,383	673,801	3,025,502
Total governmental activities program revenues	1,798,981	2,254,920	2,316,526	3,519,906	2,898,748	2,827,094	2,457,052	2,657,248	3,009,295	6,586,269
Business-type activities:										
Charges for services:										
Water	2,297,579	2,414,327	2,387,265	2,572,545	2,824,003	2,759,962	2,767,568	2,948,154	3,065,357	3,375,433
Sewer	1,418,119	1,453,170	1,450,424	1,564,185	1,702,048	1,831,485	1,839,470	1,865,292	1,925,266	2,125,495
Electricity	7,300,481	7,217,117	7,252,122	7,462,325	7,346,110	7,331,855	7,269,150	7,184,651	7,363,082	7,397,090
Capital grants and contributions	-	-	-	-	-	-	-	-	-	185,549
Total business-type activities program revenues	11,016,179	11,084,614	11,089,811	11,599,055	11,872,161	11,923,302	11,876,188	11,998,097	12,353,705	13,083,567
Total primary government program revenues	\$ 12,815,160	\$ 13,339,534	\$ 13,406,337	\$ 15,118,961	\$ 14,770,909	\$ 14,750,396	\$ 14,333,240	\$ 14,655,345	\$ 15,363,000	\$ 19,669,836
Net (expense)/revenue										
Governmental activities	(6,826,126)	(6,606,075)	(7,014,544)	(6,680,934)	(6,472,306)	(6,167,236)	(6,847,239)	(7,562,255)	(7,224,758)	(3,534,025)
Business-type activities	636,966	249,755	505,606	1,073,185	1,434,173	1,137,920	577,331	802,962	70,418	1,362,379
Total primary government net expense	\$ (6,189,160)	\$ (6,356,320)	\$ (6,508,938)	\$ (5,607,749)	\$ (5,038,133)	\$ (5,029,316)	\$ (6,269,908)	\$ (6,759,293)	\$ (7,154,340)	\$ (2,171,646)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	3,304,130	3,847,564	4,253,304	4,436,803	4,766,382	4,793,881	4,869,851	4,938,762	4,961,148	5,228,716
Franchise fee	393,501	438,831	424,780	508,594	412,427	389,756	396,169	384,155	409,002	929,148
Public service taxes	1,449,049	1,415,166	1,505,235	1,427,722	1,467,929	1,620,174	1,822,732	1,897,998	2,189,440	467,937
Interest on investment earnings	272,280	349,544	203,167	52,759	10,873	14,570	4,109	21,485	130,246	87,699
Change in joint venture net position	-	-	-	-	-	-	-	845,921	(98,357)	54,909
Other revenues	712,022	785,148	708,055	618,458	578,011	439,541	464,493	552,843	227,062	185,408
Gain (loss) on disposal of capital assets	901	(11,096)	-	-	-	-	-	-	-	-
Transfers	(283,839)	(350,294)	520,965	(214,228)	182,056	(28,473)	(359,513)	864,438	(34,068)	1,065,243
Total governmental activities	\$ 5,848,044	\$ 6,474,863	\$ 7,615,506	\$ 6,830,108	\$ 7,417,678	\$ 7,229,449	\$ 7,197,841	\$ 9,505,602	\$ 7,784,473	\$ 8,019,060
Business-type activities:										
Interest on investment earnings	117,281	167,017	174,581	56,744	21,272	18,027	7,079	10,648	40,595	76,640
Other revenues	77,309	70,742	84,906	67,273	145,606	196,320	131,056	151,859	217,916	141,668
Transfers	283,839	350,294	(520,965)	214,228	(182,056)	28,473	359,513	(864,438)	34,068	(1,065,243)
Extraordinary items	-	-	385,614	-	-	-	-	-	-	-
Total business-type activities	478,429	588,053	124,136	338,245	(15,178)	242,820	497,648	(701,931)	292,579	(846,935)
Total primary government	\$ 6,326,473	\$ 7,062,916	\$ 7,739,642	\$ 7,168,353	\$ 7,402,500	\$ 7,472,269	\$ 7,695,489	\$ 8,803,671	\$ 8,077,052	\$ 7,172,125
Change in Net Position										
Governmental activities	(978,082)	(131,212)	600,962	149,174	945,372	1,062,213	350,602	1,943,347	559,715	4,485,035
Business-type activities	1,115,395	837,808	629,742	1,411,430	1,418,995	1,380,740	1,074,979	101,031	362,997	515,444
Total primary government	\$ 137,313	\$ 706,596	\$ 1,230,704	\$ 1,560,604	\$ 2,364,367	\$ 2,442,953	\$ 1,425,581	\$ 2,044,378	\$ 922,712	\$ 5,000,479

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	55,000	-	1,859,278	1,502,800	1,553,269
Unassigned	2,855,982	3,345,530	3,514,949	2,795,028	4,019,854	5,022,820	5,576,960	3,011,936	3,204,434	3,513,484
Total general fund	\$ 2,855,982	\$ 3,445,530	\$ 3,514,949	\$ 2,795,028	\$ 4,019,854	\$ 5,077,820	\$ 5,576,960	\$ 4,871,214	\$ 4,707,234	\$ 5,066,753
All other governmental funds										
Reserved	\$ 39,478	\$ 83,900	\$ -	\$ -	\$ 21,366	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	4,231,748	3,437,527	4,047,028	3,971,670	4,086,817	-	-	-	-	-
Debt service funds	315,749	109,782	112,239	106,557	154,946	-	-	-	-	-
Nonspendable	-	-	-	-	-	106,260	106,839	1,682,405	1,501,658	-
Restricted	-	-	-	-	-	3,010,653	2,600,026	2,501,362	1,721,429	2,238,796
Committed	-	-	-	-	-	1,560,134	1,940,657	3,818,631	5,178,081	6,097,014
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 4,586,975	\$ 3,631,209	\$ 4,159,267	\$ 4,078,227	\$ 4,263,129	\$ 4,677,047	\$ 4,647,522	\$ 8,002,398	\$ 8,401,168	\$ 8,335,810
Total all funds	\$ 7,442,957	\$ 7,076,739	\$ 7,674,216	\$ 6,873,255	\$ 8,282,983	\$ 9,754,867	\$ 10,224,482	\$ 12,873,612	\$ 13,108,402	\$ 13,402,563



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 3,315,851	\$ 3,847,564	\$ 4,250,066	\$ 4,367,388	\$ 4,749,689	\$ 4,784,927	\$ 4,844,816	\$ 4,978,359	\$ 5,038,051	\$ 5,250,162
Transient room tax	300,436	313,442	320,022	339,377	363,115	364,064	413,789	441,185	588,111	515,452
Licenses & franchise fees	396,721	441,996	429,945	513,764	417,007	395,146	401,519	388,510	413,657	413,696
Charges for services	1,259,130	1,190,868	1,323,305	1,418,724	1,605,657	1,420,083	1,330,900	1,441,165	1,572,120	1,654,459
Intergovernmental	1,067,623	1,004,613	1,012,994	949,349	982,270	1,135,283	1,296,845	1,334,755	1,471,670	1,638,379
Fines and forfeits	443,636	521,637	534,927	676,666	821,037	703,996	650,872	718,828	666,095	802,025
Investment interest	272,280	349,544	203,167	52,759	10,873	14,455	4,109	21,485	130,246	87,699
Miscellaneous	781,021	1,309,143	1,168,080	2,037,804	1,045,485	1,137,166	934,423	1,043,797	992,713	3,144,751
Total revenues	7,956,683	9,075,918	9,414,725	10,494,827	10,117,677	10,075,947	9,989,371	10,490,142	11,002,322	13,506,623
Expenditures										
General government	\$ 1,922,393	\$ 1,920,337	\$ 2,094,823	\$ 2,639,777	\$ 2,064,450	\$ 1,996,038	\$ 1,980,031	\$ 2,271,074	\$ 2,157,645	\$ 2,161,681
Public safety	2,897,049	2,997,690	3,116,909	3,405,883	3,273,451	3,218,578	3,467,254	3,942,358	4,140,332	4,226,920
Highways and streets	818,743	813,344	848,896	813,932	715,241	611,728	580,281	618,522	733,546	635,584
Economic development	-	-	55,184	93,848	129,900	15,500	-	-	-	77,207
Culture and recreation	2,062,969	2,145,084	2,151,675	2,251,261	2,229,770	2,166,220	2,251,610	2,370,707	2,297,946	2,115,784
Capital outlay	586,452	937,742	788,371	1,688,420	284,884	376,545	681,704	864,410	1,033,467	4,124,944
Debt service										
Principle	109,000	118,000	128,000	40,000	45,000	45,000	55,000	60,000	135,000	330,000
Interest	164,716	159,645	154,355	148,439	147,309	145,981	144,363	72,907	96,085	183,523
Total expenditures	8,561,322	9,091,842	9,338,213	11,081,560	8,890,005	8,575,590	9,160,243	10,199,978	10,594,021	13,855,643
Excess of revenues over (under) expenditures	(604,639)	(15,924)	76,512	(586,733)	1,227,672	1,500,357	829,128	290,164	408,301	(349,020)
Other financing sources (uses)										
Transfers in	1,707,601	2,481,304	3,106,565	2,208,479	1,312,658	1,530,478	1,888,583	4,022,425	2,406,591	3,284,002
Transfers out	(1,991,440)	(2,831,598)	(2,585,600)	(2,422,707)	(1,130,602)	(1,558,951)	(2,248,096)	(3,157,987)	(2,440,659)	(1,224,458)
Change in joint venture fund balance	-	-	-	-	-	-	-	1,492,582	(195,218)	-
Total other financing sources (uses)	(283,839)	(350,294)	520,965	(214,228)	182,056	(28,473)	(359,513)	2,357,020	(229,286)	2,059,544
Net change in fund balances	\$ (888,478)	\$ (366,218)	\$ 597,477	\$ (800,961)	\$ 1,409,728	\$ 1,471,884	\$ 469,615	\$ 2,647,184	\$ 179,015	\$ 1,710,524
Debt service as a percentage of non-capital expenditures ((Debt/Other Exp)-Capital Additions)	3.43%	3.40%	3.30%	2.01%	2.23%	2.33%	2.35%	1.42%	2.42%	3.97%

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	TotalTaxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	477,280,010	18,529,096	94,188,014	589,997,120	5.73	726,723,326	81.19%
2007	525,823,953	21,005,565	97,853,803	644,683,321	6.26	798,153,424	80.77%
2008	544,366,876	26,971,136	97,903,040	669,241,052	6.59	849,629,524	78.77%
2009	651,671,693	31,370,922	22,111,200	705,153,815	6.57	888,182,617	79.39%
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	801,545,735	46,760,180	28,581,490	876,887,405	6.90	986,977,008	88.85%

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 assessed portion of the account.

CITY OF HERMISTON , OREGON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING DEBT SCHEDULE
June 30, 2015

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Direct rates										
City of Hermiston - general	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	5.08
City of Hermiston - bond	0.38	0.40	0.35	0.46	0.51	0.52	0.48	0.50	0.17	0.65
Hermiston Urban Renewal District	0.43	-	-	-	-	-	-	-	-	-
Total direct rates	<u>6.90</u>	<u>6.49</u>	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>	<u>6.26</u>	<u>5.73</u>
Overlapping rates										
Umatilla County	3.03	3.06	3.10	3.11	3.11	3.11	3.11	3.12	3.14	3.15
Hermiston School District #8	9.02	9.02	9.01	8.98	9.12	9.26	7.40	8.07	7.99	5.96
Intermountain E.S.D.	0.62	0.62	0.62	0.62	0.56	0.56	0.56	0.56	0.56	0.46
Blue Mountain Communitrt College	0.66	0.95	0.96	0.96	0.97	0.97	0.96	0.99	0.99	0.86
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	1.20	1.20	1.20	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	-	-	-	-	-	-
West Umatilla Mosquito Control District	0.24	0.38	0.29	0.29	0.29	0.34	0.25	0.25	0.25	0.25
Total overlapping rates	<u>15.18</u>	<u>15.64</u>	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>	<u>14.37</u>	<u>12.12</u>
 Total Rates	<u><u>22.08</u></u>	<u><u>22.13</u></u>	<u><u>22.03</u></u>	<u><u>22.12</u></u>	<u><u>22.09</u></u>	<u><u>22.29</u></u>	<u><u>20.29</u></u>	<u><u>21.02</u></u>	<u><u>20.63</u></u>	<u><u>17.85</u></u>

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

Taxpayer	2006			2015		
	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	30,018,490	1	5.10%	35,202,750	1	4.01%
PIONEER HI BRED				15,095,130	2	1.72%
HD DEVELOPMENT OF MARYLAND INC				8,671,300	3	0.99%
WAL-MART REAL ESTATE BUSINESS TRU				8,600,990	4	0.98%
WAL-MART/SAMS CLUB -BPP USO6037	4,611,970	7	0.80%	9,538,540	5	1.09%
CHARTER COMMUNICATIONS				7,385,200	6	0.84%
TETON VENTURE LLC & TRIUMPH PROPE				7,701,020	7	0.88%
UMATILLA ELECTRIC CO-OP ASSN	5,986,700	6	1.00%	6,472,490	8	0.74%
GOOD SHEPHERD HOSP OF HERM OR				6,065,940	9	0.69%
CDS HERMISTON, LLC				5,353,850	10	0.61%
RETAIL TRUST #2	8,021,470	2	1.40%			
U.S. WEST COMMUNICATIONS	7,289,200	3	1.20%			
PAN PACIFIC RETAIL PROPERTIES	6,747,070	4	1.10%			
HERMISTON FOODS LLC	6,489,330	5	1.10%			
CMH MANUFACTURING WEST, INC	4,705,240	8	0.80%			
CLAY DAVIS STROUD LLC	3,987,640	9	0.70%			
S.R. INNCO, INC	3,989,990	10	0.70%			
Totals	81,847,100		13.90%	110,087,210		12.55%

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
2006	3,395,907	3,156,735	93.0%	238,810	3,395,545	100.0%
2007	3,983,206	3,702,634	93.0%	279,997	3,982,631	100.0%
2008	4,364,595	4,083,728	93.6%	280,262	4,363,990	100.0%
2009	4,576,241	4,230,533	92.4%	342,821	4,573,354	100.0%
2010	4,863,080	4,509,768	92.7%	350,266	4,860,034	100.0%
2011	4,938,735	4,586,786	92.9%	351,949	4,938,735	100.0%
2012	4,997,696	4,641,447	92.9%	355,817	4,997,264	100.0%
2013	5,035,471	4,719,222	93.7%	276,154	4,995,376	99.2%
2014	5,073,454	4,760,155	93.8%	96,750	4,856,905	95.7%
2015	5,351,320	5,024,002	93.9%	-	5,024,002	93.9%

Source: Umatilla County Tax Collector's office

DEBT CAPACITY

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

Fiscal Year	Governmental Activities		Business - Type Activities				Total Primary Government	Percentage of Personal		
	General Obligation Bonds	Street Revenue Bonds	Revenue Bonds	Refunding Bonds	Notes Payable	Other Notes		Income	Per Capita	Population
2006	3,515,000	181,000	15,980,000	4,650,000	291,452	-	24,617,452	N/A	1638	15,025
2007	3,485,000	93,000	13,210,000	6,837,370	128,299	-	23,753,669	N/A	1541	15,410
2008	3,450,000	-	13,210,000	6,275,262	59,653	-	22,994,915	N/A	1457	15,785
2009	3,410,000	-	13,070,000	5,899,803	21,263	-	22,401,066	N/A	1393	16,080
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

Note:

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

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)
2006	3,515,000	312,309	3,202,691	0.54%	213	15,025	589,997,120
2007	3,485,000	198,178	3,286,822	0.51%	213	15,410	644,683,321
2008	3,450,000	109,016	3,340,984	0.499%	212	15,785	669,241,052
2009	3,410,000	101,973	3,308,027	0.47%	206	16,080	705,153,815
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	0.62%	311	17,520	876,887,405

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

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		
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2006	3,837,809	2,761,543	1,076,266	225,000	161,445	2.79
2007	4,019,316	3,148,615	870,701	240,000	171,713	2.11
2008	3,995,597	3,210,359	785,238	207,108	103,826	2.53
2009	4,282,319	3,389,116	893,203	215,459	96,065	2.87
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

Fiscal Year	Electric			Debt Service		
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2006	7,372,960	5,323,345	2,049,615	-	570,269	3.59
2007	7,303,057	5,479,880	1,823,177	-	601,990	3.03
2008	7,353,701	5,318,427	2,035,274	-	596,863	3.41
2009	7,511,659	5,188,245	2,323,414	140,000	589,744	3.18
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

CITY OF HERMISTON , OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to the City
Umatilla County	\$ 14,445,000	17.00%	\$ 2,455,650
School District #8	104,285,583	44.87%	655,545
Blue Mountain Community College	<u>9,395,000</u>	17.00%	<u>722,349</u>
Total overlapping debt	<u>128,125,583</u>		<u>3,833,544</u>
City direct debt	<u>5,758,275</u>	100.00%	<u>5,758,275</u>
Total direct and overlapping debt	<u>\$ 133,883,858</u>		<u>\$ 9,591,819</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)	\$ 986,977,008
	<u> x 3%</u>
General Obligation Debt Limit (2)	29,609,310
Gross bonded debt subject to limitation	2,520,000
Legal debt margin available for future indebtedness	\$ 27,089,310
Total net debt applicable to the limit as a percentage of debt limit	9.30%

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
2006	589,997,120	17,699,914	-	\$ 17,699,914	0.00%
2007	644,683,321	19,340,500	-	\$ 19,340,500	0.00%
2008	669,241,052	20,077,232	-	\$ 20,077,232	0.00%
2009	705,153,815	21,154,614	-	\$ 21,154,614	0.00%
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%

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

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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)
2006	15,025	24,900	374,122,500	6.6%
2007	15,410	26,535	408,904,350	5.7%
2008	15,785	29,287	462,295,295	6.2%
2009	16,080	30,193	485,503,440	9.9%
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%

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	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Con-Agra Foods	1,320	1	11.40%	500	3	4.40%
Wal-Mart Distribution	859	2	7.40%	1000	1	8.80%
Good Shepherd Medical Center	572	3	4.90%	424	6	3.70%
River Point Farms	550	4	4.70%	N/A	N/A	N/A
Hermiston School District	519	5	4.50%	420	5	3.70%
Union Pacific Railroad	450	6	3.90%	435	6	3.80%
Wal-Mart Supercenter	400	7	3.50%	356	7	3.10%
Shearers	360	8	3.10%	N/A	N/A	N/A
Hermiston Foods	325	9	2.80%	N/A	N/A	N/A
Medelez Trucking	200	10	1.70%	N/A	N/A	N/A
	<u>5,555</u>		<u>47.90%</u>	<u>3,135</u>		<u>27.50%</u>

Source:
 City Business licenses

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

Function	Full-time Equivalent Employees as of December 31									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	11.2	11.2	11.2	11.2	6.5	5.89	7.97	8.17	9.66	9.52
Public Safety	33.5	33.5	35	35	33	33	36	35.1	35.5	30.5
Highways and streets	6.3	6.3	6.3	6.3	5.6	5.83	5.34	5.65	6.33	6.47
Culture and recreation	27.5	27.5	27.5	27.5	23.5	27.3	28.72	24.95	23.8	23
Water	10.7	10.7	10.7	10.7	10	9.92	10.62	10.66	10.59	10.63
Sewer	11.4	11.4	11.4	11.4	11	8.59	11.28	11.62	11.26	11.3
Electric	2.4	2.4	2.4	2.4	2.4	2.54	2.33	2.31	2.38	2.31
Total	103	103	104.5	104.5	92	93.07	102.26	98.46	99.52	93.73

Source: City Administration Department

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OPERATING INFORMATION

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
General Government										
Number of Senior Citizen Taxi Program Tickets Sold	27,879	29,077	34,766	32,976	32,073	31,108	30,234	30,706	30,306	27,095
Number of building inspections	2,266	1,346	881	**	**	**	**	**	**	**
Public Safety										
Total Police Incidents	25,610	26,016	26,654	36,841	33,621	27,085	26,149	24,114	23,878	23,237
Officer initiated	9,807	10,366	11,149	22,869	19,893	12,283	10,476	9,335	9,160	13,205
Calls for police services	15,803	15,650	15,505	13,972	13,728	14,802	15,673	14,779	14,718	10,032
Number of traffic stops	5,104	5,602	5,196	8,177	6,397	4,778	4,932	5,113	4,227	6,596
Highways and streets										
Estimated miles of streets swept	600	10,242	5,000	6,800	5,237	6,200	4,964	3,205	3,301	3,541
Cultural and recreation										
Number of library items checked out	89,835	98,072	100,886	102,527	100,412	86,997	84,388	83,791	82,195	80,327
Number of library patrons	10,007	8,984	10,245	10,217	8,773	9,565	10,462	11,064	12,700	9,279
Business-type activities										
Water										
Number of accounts	4,060	4,362	4,411	4,495	4,543	4,707	4,751	4,801	4,828	4,912
Annual consumption (in billions of gallons)	2,983	2,324	3,911	3,513	3,729	3,377	2,605	2,900	3,529	2,638
Sewer										
Number of accounts	4,393	4,494	4,314	4,604	4,428	4,449	4,504	4,540	4,585	4,665
Electricity										
Number of accounts	5,163	5,232	5,230	5,266	5,296	5,263	5,291	5,337	5,171	5,189
KWH sold	104,636,712	107,260,781	107,034,379	110,923,480	108,284,994	105,641,459	107,025,599	104,989,179	110,521,490	106,427,693

Notes:

Source: City Departments

** No longer Tracking information

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

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	12	17	16	13	11	12	15	13	11	10
Bus	1	1	1	0	0	0	0	0	0	0
Motorcycles	2	2	2	2	2	2	2	2	1	1
Highways and streets										
Streets (miles)	60	60	60	60	62	62	62	64	64	73
Culture and recreation										
Library Collections:										
Printed materials	39110	37140	36305	34121	34973	35578	35714	34716	33361	33457
Audio materials	1442	1081	2054	2607	1665	1813	1768	1547	1610	1670
Video materials	1407	1339	1618	1759	1707	1961	1734	1725	1782	1733
Electronic materials	3451	3451	3451	3451	3451	3412	3451	3451	3452	3452
Business-type activities										
Water										
Miles of city water line	60	66	66	68	69	69	69	76	76	77
Miles of regional water system water line	14	14	14	14	14	14	14	14	2	17
City wells	6	6	6	6	6	6	6	6	5	5
Sewer										
Storm water pump stations	*	*	*	*	*	*	3	3	3	3
sewage pump stations	8	8	8	8	8	8	8	8	8	9
Clarifiers/sludge storage	4	4	4	4	4	4	4	4	4	4
Gravity thickeners	2	2	2	2	1	1	1	1	1	1
Electric										
Miles of overhead line	37	37	37	37	37	37	37	37	37	37
Miles of underground line	20	25	25	26	27	28	28	28	28	28
Transformers	1,186	1600	1643	1667	1321	1381	1397	1359	1415	1435

Source: City Administration, Court, Police, and Development and Operations Departments
This report would usually contain 10 years worth of information

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

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Budgeted 2016
Revenues					
Taxes	4,496,986	4,693,587	4,716,922	4,917,591	5,265,000
Licenses & Franchises	757,088	731,083	780,235	787,034	774,200
Fines & Penalties	455,137	491,139	466,587	583,178	582,600
Use of City Money	69,555	72,367	127,562	42,077	109,500
From Other Agencies	515,139	417,782	516,821	499,937	445,000
Service Charges	1,101,678	1,133,274	1,569,118	1,659,546	1,262,755
Non-Revenue Receipts	31,448	38,440	28,717	-	26,100
Miscellaneous Revenues	308,281	331,340	120,851	134,855	87,000
Interfund Transfers	-	-	-	-	350,000
Cash Forward	4,888,241	5,426,632	4,696,398	4,611,338	3,813,200
Total Revenues	12,623,553	13,335,644	13,023,211	13,235,556	12,715,355
Expenditures					
City Council	16,471	29,081	30,242	21,893	32,150
Manager/Planning	201,438	252,151	269,980	331,667	402,398
Finance	51,480	62,624	63,624	51,753	54,964
Legal Counsel	201,181	238,090	252,564	183,697	187,700
Court	217,538	205,917	213,004	224,058	251,904
Transportation	127,087	130,426	180,749	159,853	188,375
Airport	228,876	219,494	287,296	198,687	241,640
Building Inspections	306,015	313,420	320,640	323,763	343,262
Parks	476,491	501,717	480,484	433,530	477,440
Municipal Pool	418,300	386,196	359,787	387,450	389,229
Municipal Buildings	52,146	18,261	10,582	10,740	12,900
Library	526,655	555,157	573,281	593,812	689,266
Recreation	352,420	402,904	382,704	416,732	537,300
Conference Center	90,235	88,231	87,015	90,900	-
Public Safety Center	47,763	49,727	120,677	81,042	92,000
Police Operations	2,773,632	3,160,236	3,376,363	3,959,634	4,237,982
Non-departmental	1,077,551	2,032,081	1,487,573	1,040,575	900,565
Interfund laon	-	-	-	165,000	-
Unappropriated Balance	-	-	-	-	3,676,280
Total Expenditures	7,165,279	8,645,713	8,496,565	8,674,786	12,715,355

City of Hermiston
Water Operating Information

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

Year	Residential	Commercial	Total
2015	4,523	389	4,912
2014	4,439	384	4,823
2013	4,415	381	4,796
2012	4,363	383	4,746
2011	4,321	381	4,702
2010	4,160	378	4,538
2009	4,113	377	4,490

LARGEST CUSTOMERS OF THE WATER SYSTEM 2015

Customer	Industry	(1) Total Gallons	Total Consumption	Annual Water Revenue	(2) Percent of Total Operating
Hermiston Foods-Norpac	Food Processing	115,479,000	7.51%	115,915	4.13%
Village Park Graceland Holdings	Mobile Home Park	22,479,900	1.46%	22,966	0.82%
Fourth Street Aspens	Apartments	10,576,100	0.69%	15,827	0.56%
Chateaubri Park	RV Park	9,241,400	0.60%	16,978	0.60%
Viewcrest Apts	Apartments	8,974,900	0.58%	16,539	0.59%
Able Farms RV Park	RV Park	8,085,100	0.53%	8,357	0.30%
Walmart Stores Inc.	Retail	7,805,200	0.51%	8,067	0.29%
Foxwood Homes	Apartments	7,056,300	0.46%	13,973	0.50%
Pioneer RV Park	RV Park	7,046,800	0.46%	7,301	0.26%
Good Shepherd	Medical	6,534,700	0.42%	6,825	0.24%
		203,279,400	13.21%	232,748	8.29%

(1) Consumption in gallons, rounded to nearest hundred, based on 2015 water consumption. Total consumption for 2015 was 1,538,434,600.

(2) Based on 2015 audited Water System total operating revenue of \$2,808,334.

(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.

City of Hermiston
Water Rates and Charges

Consumption	Water Rates Effective as of			
	01/01/14	07/01/14	01/01/15	07/01/15
First 3,000 gallons (minimum charge)	15.24	15.85	16.48	17.14
Each 1,000 gallons over 3,000 up to and including 13,000 gallons	1.15	1.20	1.25	1.30
Each 1,000 gallons over 13,000 gallons	0.96	1.00	1.03	1.08

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

City of Hermiston
Sewer Operating Information

AVERAGE NUMBER OF CUSTOMERS

LARGEST CUSTOMERS OF THE SEWER SYSTEM 2015

Year	Residential	Commercial	Total	Customer	Industry	⁽¹⁾ Total Gallons	Percent of Total Consumption	Annual Water Revenue	⁽²⁾ Percent of Total Operating Revenue
2015	4,276	389	4,665	Good Shepherd	Medical	6,534,700	4.50%	8,237	0.39%
2014	4,201	384	4,585	Walmart Distribution	Commercial	5,983,700	4.12%	8,587	0.40%
2013	4,159	381	4,540	Emeritus Corp	Assisted Living	5,284,600	3.64%	6,659	0.31%
2012	4,121	383	4,504	Fiesta Foods	Retail	4,407,800	3.03%	5,605	0.26%
2011	4,068	381	4,449	Regency Pacific Management	Assisted Living	4,059,400	2.79%	5,189	0.24%
2010	4,050	378	4,428	Columbia Professional Plaza	Medical	3,901,200	2.68%	4,968	0.23%
2009	4,227	377	4,604	Panda Inn	Restraunt	3,870,500	2.66%	4,949	0.23%
				Safeway Stores	Retail	3,259,700	2.24%	4,207	0.20%
				Sagebrush Plaza	Retail	3,112,700	2.14%	4,033	0.19%
				HDP LLC	Medical	2,958,300	2.04%	3,853	0.18%
						43,372,600	33.69%	56,287	2.65%

⁽¹⁾ Consumption in gallons, rounded to nearest hundred, based on 2015 water consumption. Total consumption for 2015 was 145,357,600.

⁽²⁾ Based on 2015 audited Sewer System total operating revenue of **\$2,125,495**.

City of Hermiston
Sewer Rates and Charges

Consumption	Sewer Rates Effective as of			
	01/01/14	07/01/14	01/01/15	07/01/15
Dwelling units - monthly flat rate	20.95	21.78	22.65	23.56
Motel units - per-month unit charge	13.30	13.83	14.39	14.96
Commercial - base rate for first 5,000 gallons	22.81	23.72	24.67	25.65
Plus: per 1,000 gallons of water thereafter	1.15	1.20	1.25	1.30

**RECENT HISTORICAL WATER AND
SEWER RATE CHANGES**

Year	Water	Sewer
2009	8%	9%
2010	8%	9%
2014	8%	8%

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

	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>	
Real Market Value (RMV)	935,114,360		933,357,294		941,918,787		935,091,901		986,977,008	
Estimated Population	16,745		16,865		16,995		17,240		17,520	
Per Capita RMV	55,844		55,343		55,423		54,240		56,334	
	Gross Direct	Net Direct	Gross Direct	Net Direct	Gross Direct	Net Direct	Gross Direct	Net Direct	Gross Direct	Net Direct
Debt Information	Debt ⁽¹⁾	Debt ⁽²⁾	Debt ⁽¹⁾	Debt ⁽²⁾	Debt ⁽¹⁾	Debt ⁽²⁾	Debt ⁽¹⁾	Debt ⁽²⁾	Debt ⁽¹⁾	Debt ⁽²⁾
City Direct Debt	3,320,000	-	6,495,000	-	6,235,000	-	5,875,000	-	5,545,000	-
Overlapping Direct Debt	59,952,076	57,118,089	57,036,166	54,365,990	53,258,752	50,810,282	47,326,026	45,126,750	45,572,866	43,373,919
Total Direct Debt	<u>63,272,076</u>	<u>57,118,089</u>	<u>63,531,166</u>	<u>54,365,990</u>	<u>59,493,752</u>	<u>50,810,282</u>	<u>53,201,026</u>	<u>45,126,750</u>	<u>51,117,866</u>	<u>43,373,919</u>
	Bonded Debt Ratios									
City Direct Debt to RMV	0.36%	0.00%	0.70%	0.00%	0.66%	0.00%	0.63%	0.00%	0.56%	0.00%
Total Direct Debt to RMV	6.77%	6.11%	6.81%	5.82%	6.32%	5.39%	5.69%	4.83%	5.18%	4.39%
Per Capita City Direct Debt	\$198	\$0	\$385	\$0	\$367	\$0	\$341	\$0	\$316	\$0
Per Capita Total Direct Debt	\$3,779	\$3,411	\$3,767	\$3,224	\$3,501	\$2,990	\$3,086	\$2,618	\$2,918	\$2,476

⁽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-fuporting 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, 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	928,182,080			

(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	928,182,080			

(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, 2012)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	6,504,244,024	15.88%	2,922,714	781,296
Umatilla County School District #8 (Hermiston)	2,130,255,885	44.81%	50,985,079	50,985,079
Umatilla County School District #61 (Stanfield)	365,091,943	18.10%	1,166,120	1,166,120
Blue Mountain Community College	10,392,223,165	10.38%	1,411,161	1,411,161
Umatilla-Morrow ESD	12,613,864,637	12.48%	528,758	-
West Umatilla Vector Control District	3,159,360,983	34.36%	22,334	22,334
	<u>35,165,040,637</u>		<u>57,036,166</u>	<u>54,365,990</u>
City of Hermiston	928,182,080			

(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
12/30/14	28,465,300	37,169,900	8,704,600	77%	\$ 5,390,800	161%
12/31/13	27,855,300	31,738,800	3,883,500	88%	\$ 5,121,900	76%
12/31/12	25,464,100	30,601,900	5,137,800	83	5,018,000	102
12/31/11	23,240,900	31,109,100	7,868,200	75	4,935,700	159
12/31/10	23,879,000	30,285,000	6,405,900	79	4,973,400	129
12/31/09	22,872,794	28,126,358	5,253,564	81	4,511,734	116
12/31/08	21,245,176	26,636,773	5,391,597	80	4,992,843	108

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**INDEPENDENT AUDITOR'S REPORT REQUIRED
BY OREGON STATE REGULATION**



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Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Hermiston as of and for the year ended June 30, 2015, and have issued our report thereon dated February 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

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

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

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2015:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General fund	Municipal Pool	\$12,100
General fund	Recreation	\$232
Municipal court fund	Special payments	\$2,894
Municipal court fund	Transfers out	\$3,116
Conference center fund	Materials and services	\$9,430
Regional water fund	Materials and services	\$24,908
Regional water fund	Capital outlay	\$101,669

In our review of the 2014-15 and 2015-16 interfund transfers, we found budget errors where the budgeted resources did not equal the budgeted requirements. Interfund activity budgets are required to balance by Oregon budget law, so estimated resources and requirements are not distorted. Actual amounts balanced between funds.

The resolution adopting the budget is different than the amount reported in the budget document for General Fund transfer to reserve, capital outlay, and non-departmental. The City is in the process of preparing a correcting resolution to agree to the departments, but the appropriation balanced in total.

The City did not make their bond disclosures on time and some of the disclosures did not include all of the required information. They have worked with bond counsel and filed the notice regarding their failure to provide annual financial information to correct the deficiency.


OAR 162-10-0230 Internal Control

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

We noted certain matters that we reported to management of City of Hermiston, Oregon, in a separate letter dated February 29, 2016 and in the Schedule of Findings and Responses.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of City of Hermiston and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Dickey and Tremper, LLP



February 29, 2016



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

To the Honorable Mayor and
Members of the City Council
City of Hermiston, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Hermiston, Oregon's basic financial statements and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2015-001 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2015-002 to be a significant deficiency.

Compliance and Other Matters

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

City of Hermiston, Oregon's Response to Findings

City of Hermiston, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Hermiston, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Dickey and Tremper, LLP
Certified Public Accountants

Pendleton, Oregon
February 29, 2016

**CITY OF HERMISTON, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2015**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- 01 The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Hermiston.
- 02 Deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Hermiston. The deficiency described below as 2015-001 is reported as a material weakness and 2015-002 is reported as a significant deficiency.
- 03 No instances of noncompliance material to the financial statements of the City of Hermiston, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2015-001

Condition and criteria: The City's controls over the fiscal year-end financial reporting process rely largely on manual adjustments. There were several prior period and current year journal entries required to correct year-end balances and properly report the activity in the City's financial statements and there were corrections noted in our review of the financial statements. Significant adjustments were required to reclassify cash and accounts payable, accrue revenues to the proper period, record additional accounts and retainage payable, adjust capital asset activity and balances, reclassify regional water debt and related accounts to governmental activities, correct the amount reported for accrued interest payable, record prepaid expenses, adjust deferred revenue, correct the reporting of the investment in joint venture, accrue amounts owed for 2014 and 2015 conference center profit split with the Chamber, and to reclassify activity from liability accounts to revenues and expenditures. There were also numerous prior period adjustments and changes in reporting discussed during planning, most of which were worked out prior to the audit.

Effect: Adjustments were required to correct the accounting records and financial reporting for the affected areas and some of the adjustments were material, resulting in a material weakness to be reported.

Cause: Year-end entries are done each year through a manual process, which is typical, but does increase the risk of error. This is a new process with the City and new consultant being used to help close the books and draft the financial statements. The prior auditor was heavily involved in recording the year end accruals and capital asset adjustments and the City has not been required to reconcile many of these areas in the past. In addition, there were delays in closing the books and in providing a draft of the financial statements, which limited the amount of time available for secondary review.

Auditor's recommendation: We recommend that management and their consultant review its year-end journal entry processes to incorporate additional oversight and review of staff work. In addition, we recommend that the process be completed earlier to allow for additional time for secondary review and approval prior to providing information to the auditor.

Management's response: We agree with the Auditor's recommendation and plan to incorporate a process to review journal entries during the year and to review the work performed by staff during the year. Journal entries will then be reviewed by our consultant as additional oversight prior to the year-end audit. In addition the City will complete processes earlier to allow for additional time for secondary review and approval prior to providing information to the auditor.

SIGNIFICANT DEFICIENCY

2015-002

Condition and criteria: The prior auditor maintained the depreciation schedules in his tax depreciation system, but the City had added the information into their Caselle accounting system a couple of years ago. The cost basis in Caselle appears to be accurate after several corrections by management and their consultant, but the accumulated depreciation is misstated by one year for most of the assets. For the audit, the consultant used the beginning accumulated depreciation and added in the current year depreciation and other adjustments and the amount reported in the financial statement appears to be stated materially correct. However, the information reported in the detailed depreciation schedules in Caselle does not agree with the audited financial statements and will need to be corrected before next year's audit.

Effect: The subsidiary ledger in the Caselle depreciation module does not agree with the financial statements and will need correction to be able to properly calculate depreciation expense and accumulated depreciation.

Cause: The City has relied on the auditor's depreciation schedule in past audits and the information in the depreciation module had not been corrected. It appears that there may have been a miscalculation of life to date depreciation when the information was entered or the posting of annual depreciation shortly thereafter.

Auditor's recommendation: We recommend that the City continue to work with the consultant and Caselle to get the accumulated depreciation section corrected in the depreciation module.

Management's response: We agree with the Auditor's recommendation and will work to ensure that accumulated depreciation is corrected and that depreciation is being properly calculated in the Caselle depreciation module.