

City of Hermiston

Hermiston, Oregon

Comprehensive Annual Financial Report



Where Life is Sweet

Fiscal Year Ended June 30, 2016

City of Hermiston, Oregon

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2016

Prepared by the Finance Department
of the City of Hermiston

CITY OF HERMISTON, OREGON

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INTRODUCTORY SECTION



Where Life is Sweet

City of Hermiston

Administrative Offices

180 NE 2nd Street
Hermiston, OR 97838

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

January 27, 2017

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, 2016, 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 I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns 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 78 full-time city employees and 18 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 120,000 people employed within a 30 mile radius of the city. The

State of Oregon's 2016 population estimate for the city was 17,730.

Recent years have seen the ongoing expansion of medical services in Hermiston. Good Shepherd Medical Center (GSMC) expanded its surgical facilities in 2015 and is in the process of constructing a new medical office building to add additional doctor's suites. These expansions have added 55 new full time employees to GSMC's payroll since 2015. Guardian Angel Homes completed construction of a 32-unit memory care facility in 2016, and ground was also broken in 2016 on a 16-bed acute psychiatric facility to be operated by Lifeways. In addition to providing specialty services unique in Eastern Oregon, the 24-hour nature of these residential care facilities will create at least 40 new full time jobs.

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

In addition to serving as a regional medical and retail center, Hermiston has pursued an aggressive effort to build economic diversity with the location of area food processors, a 1.2 million square foot Wal-Mart Distribution Center, and a \$3.5 million food distribution center of the Church of Jesus Christ of Latter Day Saints. 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. FedEx is another national logistics company taking advantage of the region. FedEx Freight opened a full-service distribution center near Hermiston in 2011 to take advantage of the area's freeway access. UPS runs air-cargo out of the Hermiston Municipal Airport, which completed a \$3 million taxiway re-alignment project in 2016.

Situated in an arid section of Oregon, Hermiston's existence has always necessarily been connected to water. The two original town sites that were to become Hermiston sprang up following the creation of Hermiston Irrigation District in 1905. Circle irrigation developed and agriculture flourished throughout the desert area, increasing irrigated land to over 200,000 acres. Abundant access to field and row crops such as potatoes, melons, beans, onions, etc., resulted in the construction of food processing plants, and their employment needs increased Hermiston's population from 4,893 in 1970 to 17,730 in 2016.

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 offers a central site for rodeos, home shows, livestock sales, community dances, auctions and other events, as well as the annual Umatilla County Fair. Due to the growing needs of the community new and larger grounds are under construction to house the rodeo and county fair. The facility grounds include the newly constructed Eastern Oregon Trade and Event Center, which opened in 2016. The fair and rodeo grounds will be completed in 2017 in time to host the 2017 annual fair and rodeo.

Hermiston School District has five elementary schools, two middle schools, one senior high school, one alternative school, and one ESD office. With nearly 5,300 students, it is the largest school district in Eastern Oregon, and with 519 employees, the fifth largest employer in Hermiston. The School District completed a \$5 million replacement of the high school football stadium in 2013. The facility 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 Inc., a subsidiary of ConAgra, Golden Valley Microwave, operates two potato processing plants in the area. Lamb-Weston completed a \$200 million expansion at its Boardman facility in 2015, and announced another \$30 million expansion in early 2016. Hermiston Foods, Inc., a subsidiary of NORPAC Foods, operates a plant that processes peas, dried beans, carrots and other vegetables within the

City. DuPont Pioneer, a developer and supplier of seeds, originally opened a facility in Hermiston in 2009, and has since invested nearly \$60 million to develop its plant.

Hermiston Foods Incorporated, a wholly owned subsidiary of Norpac Foods, operates a processing plant within the boundaries of Hermiston. The plant employs 325 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 operates a \$4 million polyvinylchloride pipe plant in the Port of Umatilla Industrial Park five miles north of Hermiston. This plant employs approximately 50 people. Wal-Mart operates a 1.2 million square foot distribution center which employs approximately 860 workers and transfers merchandise to about 400 trucks daily. UPS Freight and FedEx Ground also both operate full-service freight terminals near the 1-84/82 interchange. The FedEx facility was completed in early 2011, and serves 120 trucks per day.

Four shopping centers are located in the City. The City's retail trade area includes 50,000 people in a two-county area. Among the major retailers in the City are a Wal-Mart superstore and distribution center, Home Depot, Big 5 Sports, several supermarkets and a variety of other businesses.

Major local manufacturing is based on food processing, the manufacturing of pre-fabricated homes and recreational vehicles, and a variety of other products. Government employment at two State prisons in Umatilla and Pendleton are also significant to the regional economy.

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 has the following ongoing commitments and 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. In June 2016, the City added \$750,000 to the project for a basement and elevator. As of January 31, 2017, the City has incurred \$189,371 on design, survey and appraisal costs. Construction is expected to begin in spring 2017.
2. Airport Improvements – The City was awarded several state and federal grants totaling \$3.6 million during fiscal years 2015 and 2016 for taxiway realignment and other improvements at the Hermiston Municipal Airport. The taxiway realignment was substantially completed in August 2016 at an additional cost of \$160,000. The contractor continues to work through final punch-lists items

of which the cost is not expected to exceed \$75,000. Completing a GIS mapping of all the facilities at the Airport is all that remains to be done and is expected to cost approximately \$155,000.

3. EOTEC – The City fully expended 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. The event center was completed in May 2016 while the remaining facilities (barns and rodeo grounds) will be constructed in 2017 for an estimated cost of \$6.6 million. This is a joint venture between Umatilla County and the City of Hermiston and as such they are funding the majority of the costs. The City has committed to issue \$1 million in bonds in 2017 to assist with construction costs. Contributions from businesses and individuals, an additional \$1.5 million state grant, and cash on hand will fund the remainder of the costs.
4. Traffic Control at 11th & Elm – The City entered into an Immediate Opportunity Fund (IOF) agreement with the State of Oregon Department of Transportation (ODOT) in March 2016 to install a traffic signal at the intersection of Elm Avenue and NW 11th as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11th. The project will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11th entrance. The IOF agreement includes a job-creation requirement of 58 new FTEs. As of January 2016 GSMC had met the requirement. The total estimated project cost is \$1.62 million of which the state will fund 50% not to exceed \$813,710. The City is responsible for the remaining 50% plus any cost overruns that occur. The City has also entered into an agreement with GSMC stipulating that GSMC will provide \$450,000 of the City's \$813,710 share. Design of the signal/turn lane/bike crossing is approximately 40% complete and construction is expected to begin in spring 2017. The City has expended \$15,000 to date on right-of-way costs.
5. The City approved a change order in August 2016 in the amount of \$448,835 to its existing purchase order with Veris Environmental to remove bio-solids from the Sewer Treatment Plant lagoon. The new total for the contract is \$1,390,105. The work was expected to be completed in fiscal year 2016 but was not completed until October 2016.

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

FINANCIAL POLICIES

The City maximizes its yield on short-term/low risk investments by pooling the cash of all funds. The City's idle cash is invested primarily in U.S. Treasury securities and the Oregon State Local Government Investment Pool.

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hermiston for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-sixth 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, 2015

Executive Director/CEO

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2016

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

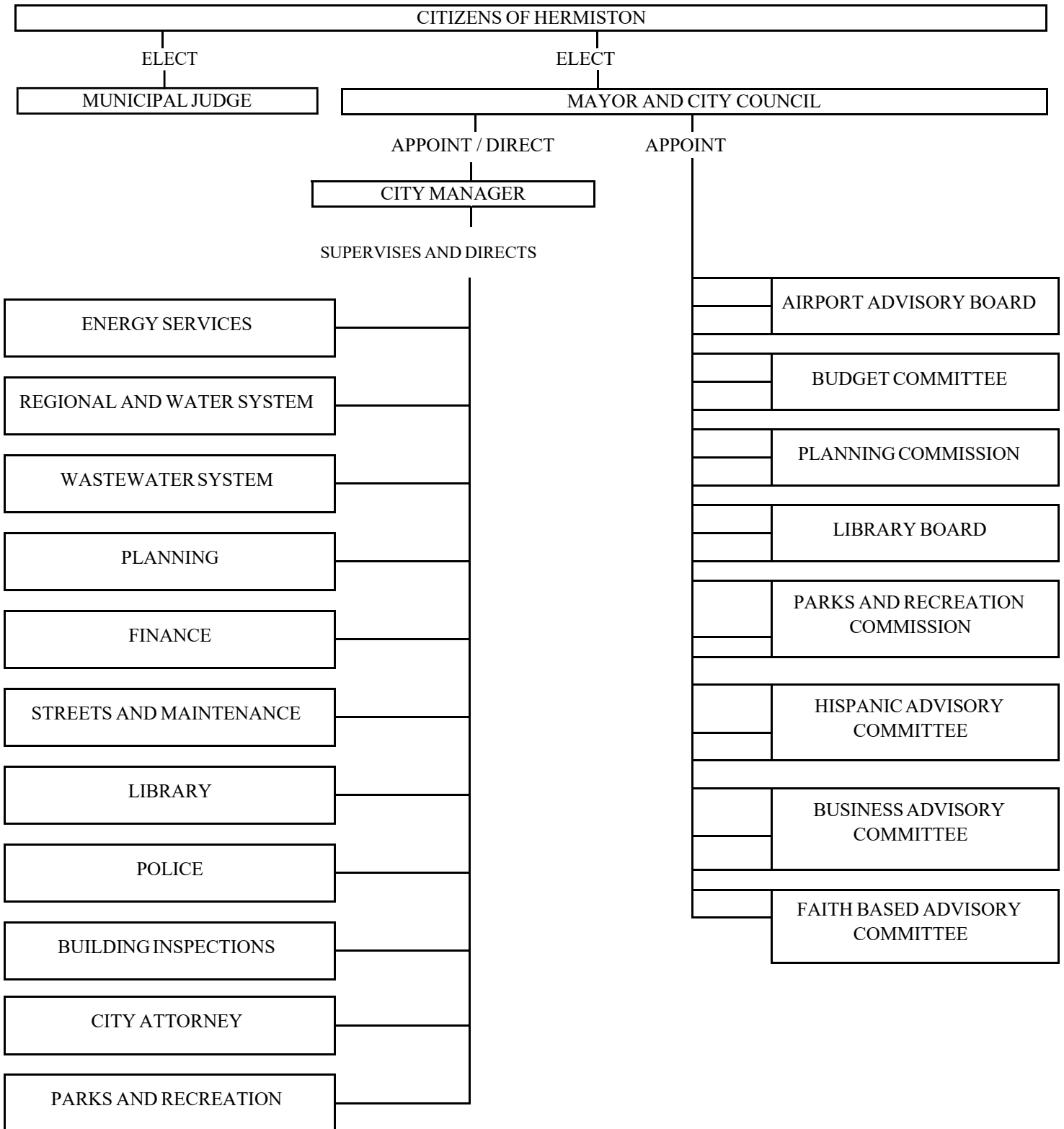
OFFICIAL ADDRESS

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Hermiston, OR 97838
Telephone: 541-567-5521
Fax: 541-567-5530

CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2016



FINANCIAL SECTION



Dickey and Tremper, LLP
Certified Public Accountants and Business Advisors

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Fax: (541) 276-9040
Web: www.dickeyandtremper.com

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 January 27, 2017, 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 January 27, 2017, 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

January 27, 2017

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, 2016. 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 \$106.4 million at June 30, 2016 consisting of approximately \$19 million in cash and investments, \$75 million in capital assets and \$12.4 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$2.5 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$52.4 million at June 30, 2016, consisting of \$43.2 million in long-term obligations, \$8 million in accounts payable and other liabilities, and \$1.2 million in deferred inflows related to pensions. Total liabilities and deferred inflows of resources decreased by \$3 million from the previous fiscal year.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$53.9 million (*net position*). Of this amount \$19.8 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 \$32 million invested in capital assets net of related debt, \$247,000 restricted for debt service, \$316,000 restricted for culture and recreation, \$835,000 restricted for highways and streets, \$58,000 restricted for public safety, \$250,000 for economic development, and \$504,000 for system development.
- For its governmental activities the City generated \$2.5 million in Charges for Services and \$10.2 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$15.8 million for the year resulting in a net expense of \$3.1 million. After an additional \$6.4 million in general revenues and \$0.4 million in Transfers Out, governmental activities resulted in a \$3 million increase in net position.
- For its business-type activities the City generated \$14 million in Charges for Services and \$1.6 million in Capital Grants and Contributions to fund direct expenses of \$14.8 million resulting in a net revenue of \$0.9 million. After other general revenues and transfers in of \$0.6 million net position from business-type activities increased by \$1.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Required Supplementary Information. This section includes the Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) for the General Fund and State Tax Street Fund. This section also includes the Schedule of the Proportionate Share 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

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

Net Position at Year-End
(in thousands)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Cash and investments	\$ 12,298	\$ 18,892	\$ 6,726	\$ 7,194	\$ 19,024	\$ 26,086
Other assets	9,337	5,009	1,789	2,716	11,126	7,725
Capital assets	15,781	12,699	59,129	56,582	74,910	69,281
Total assets	<u>37,416</u>	<u>36,600</u>	<u>67,644</u>	<u>66,492</u>	<u>105,060</u>	<u>103,092</u>
Deferred outflows:	<u>911</u>	<u>555</u>	<u>435</u>	<u>300</u>	<u>1,346</u>	<u>855</u>
Liabilities:						
Other Liabilities	5,266	5,311	2,814	2,247	8,080	7,558
Long term debt	5,739	6,062	37,469	38,506	43,208	44,568
Total liabilities	<u>11,005</u>	<u>11,373</u>	<u>40,283</u>	<u>40,753</u>	<u>51,288</u>	<u>52,126</u>
Deferred inflows:	<u>790</u>	<u>2,322</u>	<u>379</u>	<u>977</u>	<u>1,169</u>	<u>3,299</u>
Net Position:						
Net investment in capital assets	12,617	9,442	21,720	19,176	31,963	25,999
Restricted	2,211	2,239		910	2,211	3,149
Unrestricted	<u>11,705</u>	<u>11,781</u>	<u>5,698</u>	<u>4,976</u>	<u>19,777</u>	<u>19,376</u>
Total Net Position	<u>\$ 26,533</u>	<u>\$ 23,462</u>	<u>\$ 27,418</u>	<u>\$ 25,062</u>	<u>\$ 53,951</u>	<u>\$ 48,524</u>

Over half of the City's net position (59% 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, \$2.4 million in bonds payable reported in the

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total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.

Analysis of Changes in Net Position:

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for service	\$ 2,532	\$ 2,401	\$ 13,988	\$ 12,898	\$ 16,520	\$ 15,299
Operating grants and contributions	1,622	1,628	-	-	1,622	1,628
Capital grants and contributions	8,621	3,026	1,639	186	10,260	3,212
General Revenues						
Taxes	6,297	6,157	-	-	6,297	6,157
Interest	85	88	57	77	142	165
Change in joint venture net position		55	-	-		55
Other	113	185	119	142	232	327
Total Revenues	19,270	13,540	15,803	13,303	35,073	26,843
Expenses						
General government	3,163	2,228	-	-	3,163	2,228
Public safety	6,246	3,435	-	-	6,246	3,435
Highways and streets	1,334	901	-	-	1,334	901
Cultural and recreation	4,850	3,315	-	-	4,850	3,315
Interest on long-term debt	159	164	-	-	159	164
Economic development	83	77	-	-	83	77
Water	-	-	3,637	2,408	3,637	2,408
Sewer	-	-	3,461	1,933	3,461	1,933
Electricity	-	-	7,664	7,382	7,664	7,382
Total Expenses	15,835	10,120	14,762	11,723	30,597	21,843
Change in net position before transfers	3,435	3,420	1,041	1,580	4,476	5,000
Transfers	(405)	1,065	405	(1,065)	-	-
Change in net position	3,030	4,485	1,446	515	4,476	5,000
Net position - beginning	23,462	23,745	25,062	22,445	48,524	46,190
Change in accounting principle	-	(2,171)	-	(914)	-	(3,085)
Beginning net position, restated	23,462	21,574	25,062	21,531	48,524	43,105
Prior period adjustment	41	(2,597)	910	3,015	951	418
Net position - ending	\$ 26,533	\$ 23,462	\$ 27,418	\$ 25,061	\$ 53,951	\$ 48,523

Governmental Activities. Net position for governmental activities increased \$3 million resulting from \$19.3 million in total revenues offset by \$15.8 million in expenditures and \$0.4 million in Transfers-out. Total revenues increased \$5.7 million, the bulk of which was due to an increase of \$5.6 million in capital

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

grants and contributions, an increase of \$131,000 in charges for services, and a decrease of \$6,000 in operating grants and contributions offset by a decline in interest earnings and other revenue of \$130,000. The City recognized \$2.8 million of federal and state grant revenue for improvements at the City's municipal airport and realized a net \$3.6 million increase in its investment in its joint venture with Umatilla County for construction and development of the Eastern Oregon Trade and Event Center (EOTEC). The City also received \$65,000 in system development charges.

Governmental expenditures rose \$5.7 million in 2015-16 compared to 2014-15. This was a result of several factors. The City recognized \$1.8 million in Culture and Recreation expenditures related to its capital investment in the EOTEC. The City also recognized \$2.8 million of pension expenses for the second year of implementation of GASB 68. The effects of GASB 68 implementation are further explained in the Notes to the Financial Statement. Personnel costs were up \$350,000 overall due to a combination of cost of living adjustments and higher retirement and medical benefits costs. The City also recorded a prior period adjustment of \$41,000 which was primarily due to reclassification of prior year transient room tax receivables.

Business-type activities. Net position for business activities increased \$1.4 million during the current fiscal year. Revenues increased \$727,000 in Electricity Operations due to an average 11% rate increase that went into effect May 2015 and unusually warm weather during the peak summer months. Water and Sewer revenues were up \$270,000 also due to rate increases. Electricity expenditures were up \$288,000 mainly due to increased costs for purchasing power and higher payments in lieu of taxes resulting from the increased revenues. The City recognized \$1.1 million of pension expenses in the Utility, Regional Water and Electricity funds for the second year of implementation of GASB 68. The effects of GASB 68 implementation are further explained in the Notes to the Financial Statement. The City also recorded a prior period adjustment of \$910,000 to correct accumulated depreciation and prior year legal fees.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As of June 30, 2016, the City's governmental funds reported a combined ending fund balance of \$12.2 million compared to prior year's balance of \$13.4 million. Unassigned fund balance combined with assigned and committed fund balance as of June 30, 2016, was \$9.9 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, 2016, the total fund balance was \$4.7 million, of which \$4.5 million is considered unassigned, reflecting a decrease of approximately \$358,000 from the prior year. Expenditures in the general fund rose from \$7.9 million to \$9 million, an increase of \$1.1 million. The majority of this increase was due to increased personnel costs in the Municipal Court and Police Department and a capital contribution of \$600,000 to the Eastern Oregon Trade and Event Center for construction costs. This increase in expenditure was offset by increases in property taxes and service charges received during the fiscal year.

Other major governmental funds include the State Tax Street Fund, Reserve Fund and the EOTEC Construction Fund. The fund balance in the State Tax Reserve Fund decreased by \$161,000 primarily due

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

to current year transfers to the Reserve fund for street maintenance projects. The Reserve Fund decreased its fund balance by \$873,000 due to transfers to the Utility Fund and HES Fund from the Rate Stabilization Account reserves and capital outlay at the municipal airport. The EOTEC Fund had no change in fund balance as the remainder of the revenues from the state grant for construction of the Eastern Oregon Trade and Event Center was recognized and fully expended.

General Fund Budgetary Highlights

The City adopted four supplemental budgets, only one of which affected the General Fund, increasing appropriations by \$871,000 excluding transfers. The majority of this increase was due to an additional contribution of \$600,000 to the Eastern Oregon Trade and Event Center for construction costs and \$115,000 for additional general engineering costs. Budget over expenditures are listed in notes to required supplementary information.

General Fund revenues exceeded budgeted expectations by \$76,000. Actual expenditures of the General Fund were \$360,000 less than budgeted. The majority of this difference was in public safety and culture and recreation. The Police Department had savings in overtime and motor vehicle fuel costs. Parks, Recreation and the Library all had savings in labor costs related to seasonal and part-time employees.

Capital Assets

The City had \$74.9 million in capital assets net of depreciation at June 30, 2016 allocated as follows:

	Net Capital Assets					
	(in thousands)					
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and easements	\$ 2,426	\$ 2,385	\$ 1,086	\$ 1,086	\$ 3,512	\$ 3,471
Construction in progress	3,403	265	2,584	2,682	5,987	2,947
Buildings and systems	5,202	5,474	55,328	52,609	60,530	58,083
Machinery, equipment	343	329	131	205	474	534
Street system	<u>4,406</u>	<u>4,246</u>	<u>-</u>	<u>-</u>	<u>4,406</u>	<u>4,246</u>
 Total capital assets	 <u>\$ 15,780</u>	 <u>\$ 12,699</u>	 <u>\$ 59,129</u>	 <u>\$ 56,582</u>	 <u>\$ 74,909</u>	 <u>\$ 69,281</u>

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

Debt Administration

At year end, the City had \$43.2 million in long term debt outstanding compared to \$44.6 million

last year. The City repaid approximately \$1.7 million of long term debt during the year. Additional information on debt administration can be found in Note 5 to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The general fund's largest revenue sources are property taxes, charges for services, fines and forfeitures, franchise fees and state shared revenues. The State of Oregon does not have a sales tax resulting in local government's heavy reliance on property taxes and other locally-generated revenues such as franchise fees, and service provision fees. During the 1990's voters in the State of Oregon passed two ballot measures that reformed the property tax structure. The measures limited the amount of tax levies to \$5 per \$1,000 of real market value for education districts and \$10 per \$1,000 for general government districts such as cities and counties. Permanent tax rates were also established for certain local governments and limited the annual growth rate of taxable property to 3% of assessed value. The city's permanent tax rate is 6%.

The City's overall budget decreased \$14 million in 2016-17 due to the completion of several construction projects and some restructuring that reduced the number of fund transfers. Most revenues were projected with a minimal amount of growth reflecting the steady, slow pace of growth in Hermiston. Exceptions include the Tourism Promotion Assessment (TPA), which was included in the City's budget for the first time in 2016-17. It had previously been passed directly on to the Eastern Oregon Trade and Event Center (EOTEC). The City includes amounts for the expected ending fund balance in each fund. Some of this is reflected in the Unappropriated Balance line item and some is reflected in the Reserve for Future Expenditure line item. The Unappropriated Balance allows the City a cash or working capital balance with which to begin the fiscal year following the current year. Reserves for Future Expenditure are intended to be saved for use in future fiscal years. This allows the City to accumulate funds for capital purchases or projects which need to be built up over multiple years. The adopted 2016-17 budget also includes for the first time a separate allocation for contingency. Previously this would have been part of the Reserve for Future Expenditure.

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 7,816,180	\$ 3,961,462	\$ 11,777,642
Investments	4,424,944	2,583,520	7,008,464
Restricted cash	57,005	181,192	238,197
Accounts receivable	1,685,804	1,662,631	3,348,435
Property taxes receivable	315,848	-	315,848
Inventory	36,571	-	36,571
Prepays	78,300	126,419	204,719
Total current assets	14,414,652	8,515,224	22,929,876
Noncurrent assets:			
Investment in joint venture	7,220,492	-	7,220,492
Capital assets:			
Nondepreciable	5,828,890	3,670,280	9,499,170
Depreciable, net	9,951,917	55,458,494	65,410,411
Total noncurrent assets	23,001,299	59,128,774	82,130,073
Total assets	37,415,951	67,643,998	105,059,949
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	910,999	372,684	1,283,683
Deferred charge on refunding	-	62,559	62,559
Total deferred outflows of resources	910,999	435,243	1,346,242
Total assets and deferred outflows of resources	\$ 38,326,950	\$ 68,079,241	\$ 106,406,191
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,680,936	\$ 1,004,738	\$ 2,685,674
Deposits and payables, restricted	57,005	181,192	238,197
Accrued interest payable	40,973	301,438	342,411
Current portion of long-term debt	621,480	1,558,747	2,180,227
Total current liabilities	2,400,394	3,046,115	5,446,509
Noncurrent liabilities:			
Net Pension Liability	3,487,271	1,326,136	4,813,407
Noncurrent portion of long-term obligations	5,117,074	35,910,407	41,027,481
Total noncurrent liabilities	8,604,345	37,236,543	45,840,888
Total liabilities	11,004,739	40,282,658	51,287,397
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	789,667	378,604	1,168,271
NET POSITION:			
Net investment in capital assets	12,617,100	21,719,929	31,962,821
Restricted for:			
Debt service	246,965	-	246,965
Culture and recreation	316,136	-	316,136
Highways and streets	835,076	-	835,076
Public safety	57,954	-	57,954
Economic development	250,136	-	250,136
System development	504,374	-	504,374
Unrestricted	11,704,803	5,698,050	19,777,061
Total net position	26,532,544	27,417,979	53,950,523
Total liabilities, deferred inflows of resources and net position	\$ 38,326,950	\$ 68,079,241	\$ 106,406,191

CITY OF HERMISTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

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	\$ 3,163,574	\$ 612,955	\$ 474,492	\$ 2,898,272	\$ 822,145	\$ -	\$ 822,145
Public safety	6,245,648	952,067	60,070	-	(5,233,511)	-	(5,233,511)
Highways and streets	1,333,965	-	1,032,112	752,822	450,969	-	450,969
Culture and recreation	4,850,208	646,763	49,832	3,675,699	(477,914)	-	(477,914)
Economic development	82,723	320,511	5,000	1,294,000	1,536,788	-	1,536,788
Interest on long-term debt	158,589	-	-	-	(158,589)	-	(158,589)
Total governmental activities	15,834,707	2,532,296	1,621,506	8,620,793	(3,060,112)	-	(3,060,112)
Business type activities:							
Water	3,636,500	3,631,599	-	1,469,230	-	1,464,329	1,464,329
Sewer	3,460,857	2,231,320	-	169,510	-	(1,060,027)	(1,060,027)
Electricity	7,663,289	8,124,700	-	-	-	461,411	461,411
Total business type activities	14,760,646	13,987,619	-	1,638,740	-	865,713	865,713
Total government	\$ 30,595,353	\$ 16,519,915	\$ 1,621,506	\$ 10,259,533	(3,060,112)	865,713	(2,194,399)
General revenues:							
Taxes:							
Property taxes					5,324,750	-	5,324,750
Franchise and transient room taxes					972,207	-	972,207
Interest and investment earnings					85,479	56,851	142,330
Miscellaneous revenues					112,643	118,975	231,618
Transfers in (out)					(404,760)	404,760	-
Total general revenues and transfers					6,090,319	580,586	6,670,905
Change in net position					3,030,207	1,446,299	4,476,506
Net position - beginning					23,461,537	25,061,981	48,523,518
Prior period adjustment					40,800	909,699	950,499
Net position - ending					\$ 26,532,544	\$ 27,417,979	\$ 53,950,523

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.

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, 2016

	Combined General Fund	State Tax Street Fund	Reserve Fund	EOTEC Construction Fund	Other Governmental	Total Governmental
ASSETS:						
Cash and cash equivalents	\$ 3,076,317	\$ 558,315	\$ 2,368,883	\$ 2,233	\$ 1,810,432	\$ 7,816,180
Investments	1,537,216	-	2,887,728	-	-	4,424,944
Restricted cash	-	-	5,000	-	52,005	57,005
Accounts receivable	253,830	91,860	1,051,967	-	288,147	1,685,804
Property taxes receivable	297,431	-	-	-	18,417	315,848
Interfund loan receivable	200,000	-	-	-	40,000	240,000
Total assets	<u>\$ 5,364,794</u>	<u>\$ 650,175</u>	<u>\$ 6,313,578</u>	<u>\$ 2,233</u>	<u>\$ 2,209,001</u>	<u>\$ 14,539,781</u>
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 407,544	\$ 8,667	\$ 1,123,056	\$ 2,233	\$ 139,436	\$ 1,680,936
Deposits and payables, restricted	-	-	5,000	-	52,005	57,005
Interfund loan payable	-	-	190,000	-	50,000	240,000
Total liabilities	<u>407,544</u>	<u>8,667</u>	<u>1,318,056</u>	<u>2,233</u>	<u>241,441</u>	<u>1,977,941</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property tax revenue	248,200	-	-	-	15,468	263,668
Unavailable revenue - municipal court	-	-	-	-	91,452	91,452
Unavailable revenue - grants	-	-	50,020	-	-	50,020
Total deferred inflows of resources	<u>248,200</u>	<u>-</u>	<u>50,020</u>	<u>-</u>	<u>106,920</u>	<u>405,140</u>
FUND BALANCES:						
Restricted for:						
Debt service	-	-	-	-	246,965	246,965
Culture and recreation	-	-	234,107	-	82,029	316,136
Highways and streets	-	491,508	343,568	-	-	835,076
Public safety	-	-	-	-	57,954	57,954
Economic development	-	-	-	-	250,136	250,136
System development	-	-	504,374	-	-	504,374
Committed to:						
Municipal court	-	-	-	-	30,686	30,686
Culture and recreation	-	-	121,338	-	436,457	557,795
Highways and streets	-	150,000	595,376	-	-	745,376
Economic development	-	-	208,843	-	24,521	233,364
Public safety	-	-	-	-	30,443	30,443
Utility Systems	-	-	2,694,255	-	-	2,694,255
Insurance reserve	-	-	-	-	627,927	627,927
Other reserves	-	-	243,641	-	73,522	317,163
Assigned:						
Employee benefits	207,250	-	-	-	-	207,250
Unassigned:	4,501,800	-	-	-	-	4,501,800
Total fund balances	<u>4,709,050</u>	<u>641,508</u>	<u>4,945,502</u>	<u>-</u>	<u>1,860,640</u>	<u>12,156,700</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,364,794</u>	<u>\$ 650,175</u>	<u>\$ 6,313,578</u>	<u>\$ 2,233</u>	<u>\$ 2,209,001</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.	15,780,807
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	405,140
Investments in joint ventures are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	7,220,492
Prepaid insurance use current resources and, therefore, is not reported in the funds.	78,300
Inventory uses current resources and therefore, is not reported in the funds.	36,571
Pension related items do not provided or use resources and, therefore, are not reported in the funds.	(3,365,939)
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	(5,738,554)
Interest payable	(40,973)
Net position of governmental activities	<u>\$ 26,532,544</u>

CITY OF HERMISTON, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Combined General Fund	State Tax Street Fund	Reserve Fund	EOTEC Construction Fund	Other Governmental	Total Governmental
REVENUES:						
Property taxes	\$ 5,021,221	\$ -	\$ -	\$ -	\$ 286,235	\$ 5,307,456
Transient room tax	-	-	-	-	558,871	558,871
Licenses and franchise fees	413,336	-	-	-	-	413,336
Grants	89,334	-	2,897,194	3,561,480	105,603	6,653,611
Charges for service	1,455,283	-	-	-	244,998	1,700,281
Intergovernmental	442,492	1,247,984	-	-	-	1,690,476
Fines and forfeitures	583,006	-	-	-	255,427	838,433
Contributions and donations	-	-	-	-	18,454	18,454
Interest	45,719	-	39,760	-	-	85,479
Miscellaneous	105,912	-	1,888	-	4,843	112,643
System development charges	-	-	65,277	-	-	65,277
Total revenues	8,156,303	1,247,984	3,004,119	3,561,480	1,474,431	17,444,317
EXPENDITURES:						
Current:						
General government	1,895,078	-	589,088	-	236,209	2,720,375
Public safety	4,412,039	-	-	-	34,325	4,446,364
Highways and streets	-	689,398	-	-	-	689,398
Culture and recreation	1,964,108	-	-	-	223,109	2,187,217
Economic development	-	-	-	-	82,723	82,723
Capital outlay	776,315	-	3,362,769	3,561,480	120,037	7,820,601
Debt service:						
Principal	-	-	-	-	335,000	335,000
Interest	-	-	-	-	177,635	177,635
Total expenditures	9,047,540	689,398	3,951,857	3,561,480	1,209,038	18,459,313
Revenues over (under) expenditure	(891,237)	558,586	(947,738)	-	265,393	(1,014,996)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,119,481	-	1,201,587	-	307,242	2,628,310
Transfers out	(497,731)	(719,521)	(1,127,000)	-	(555,725)	(2,899,977)
Total other financing sources (uses)	621,750	(719,521)	74,587	-	(248,483)	(271,667)
Net change in fund balances	(269,487)	(160,935)	(873,151)	-	16,910	(1,286,663)
FUND BALANCES, BEGINNING	5,066,753	802,443	5,815,726	-	1,717,641	13,402,563
PRIOR PERIOD ADJUSTMENT	(88,216)	-	2,927	-	126,089	40,800
FUND BALANCES, ENDING	\$ 4,709,050	\$ 641,508	\$ 4,945,502	\$ -	\$ 1,860,640	\$ 12,156,700

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, 2016

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ (1,286,663)

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	(878,439)	
Capital asset additions	3,960,046	3,081,607

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

Unavailable revenue		60,896
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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.

2,380,740

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

1,227,511

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	(2,802,643)	
Change in compensated absences	(28,158)	
Bond premiums and accrued interest	19,046	(2,811,755)

Some expenditures are reported on the fund statements when purchased but are expenses on the statement of activities when consumed. These amount represent the change in:

Prepaid insurance	6,300	
Inventory	36,571	42,871

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		335,000
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Change in net position of governmental activities		\$ 3,030,207
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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, 2016

	Business-Type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 1,020,330	\$ 2,492,667	\$ 448,465	\$ 3,961,462
Investments	2,378,583	204,937	-	2,583,520
Restricted cash	172,903	8,289	-	181,192
Account receivable, net	655,970	604,906	401,755	1,662,631
Prepaid items	92,619	31,600	2,200	126,419
Total current assets	<u>4,320,405</u>	<u>3,342,399</u>	<u>852,420</u>	<u>8,515,224</u>
Noncurrent assets:				
Capital assets, net	<u>11,201,756</u>	<u>41,153,814</u>	<u>6,773,204</u>	<u>59,128,774</u>
Total noncurrent assets	<u>11,201,756</u>	<u>41,153,814</u>	<u>6,773,204</u>	<u>59,128,774</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	42,451	306,660	23,573	372,684
Deferred charge on refunding	62,559	-	-	62,559
Total deferred outflows of resources	<u>105,010</u>	<u>306,660</u>	<u>23,573</u>	<u>435,243</u>
Total assets and deferred outflows of resources	<u>\$ 15,627,171</u>	<u>\$ 44,802,873</u>	<u>\$ 7,649,197</u>	<u>\$ 68,079,241</u>
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 574,594	\$ 348,865	\$ 81,279	\$ 1,004,738
Accrued interest payable	126,515	174,923	-	301,438
Deposits	172,903	8,289	-	181,192
Current portion of long-term debt	325,472	1,233,275	-	1,558,747
Total current liabilities	<u>1,199,484</u>	<u>1,765,352</u>	<u>81,279</u>	<u>3,046,115</u>
NONCURRENT LIABILITIES:				
Noncurrent portion of long-term debt	11,072,552	24,837,855	-	35,910,407
Net Pension Liability	95,361	1,147,109	83,666	1,326,136
Total noncurrent liabilities	<u>11,167,913</u>	<u>25,984,964</u>	<u>83,666</u>	<u>37,236,543</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pension	<u>73,914</u>	<u>280,622</u>	<u>24,068</u>	<u>378,604</u>
NET POSITION:				
Net investment in capital assets	(133,709)	15,105,758	6,747,880	21,719,929
Unrestricted	3,319,569	1,666,177	712,304	5,698,050
Total net position	<u>3,185,860</u>	<u>16,771,935</u>	<u>7,460,184</u>	<u>27,417,979</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 15,627,171</u>	<u>\$ 44,802,873</u>	<u>\$ 7,649,197</u>	<u>\$ 68,079,241</u>

CITY OF HERMISTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
OPERATING REVENUES:				
Charges for services water	\$ -	\$ 2,971,747	\$ 659,852	\$ 3,631,599
Charges for services sewer	-	2,231,320	-	2,231,320
Charges for services electric	8,124,700	-	-	8,124,700
Miscellaneous	118,975	-	-	118,975
Total operating revenues	<u>8,243,675</u>	<u>5,203,067</u>	<u>659,852</u>	<u>14,106,594</u>
OPERATING EXPENSES:				
Water	-	2,050,370	672,366	2,722,736
Sewer	-	2,380,121	-	2,380,121
Electricity	6,618,728	-	-	6,618,728
Depreciation	520,831	1,011,425	196,932	1,729,188
Total operating expenses	<u>7,139,559</u>	<u>5,441,916</u>	<u>869,298</u>	<u>13,450,773</u>
Operating income (loss)	<u>1,104,116</u>	<u>(238,849)</u>	<u>(209,446)</u>	<u>655,821</u>
NON-OPERATING REVENUES (EXPENSES):				
Grants	-	-	664,200	664,200
Interest income	41,709	15,142	-	56,851
Interest expense	(523,729)	(786,144)	-	(1,309,873)
Total non-operating revenues (expenses)	<u>(482,020)</u>	<u>(771,002)</u>	<u>664,200</u>	<u>(588,822)</u>
Net income (loss) before capital contributions and transfers	622,096	(1,009,851)	454,754	66,999
TRANSFERS:				
Transfers in (out)	<u>(158,830)</u>	<u>563,590</u>	<u>-</u>	<u>404,760</u>
Net income (loss) before capital contributions	463,266	(446,261)	454,754	471,759
CAPITAL CONTRIBUTIONS:				
Capital contributions	<u>-</u>	<u>534,110</u>	<u>440,430</u>	<u>974,540</u>
Change in net position	463,266	87,849	895,184	1,446,299
NET POSITION, BEGINNING	2,722,594	15,774,387	6,565,000	25,061,981
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>909,699</u>	<u>-</u>	<u>909,699</u>
NET POSITION, ENDING	<u>\$ 3,185,860</u>	<u>\$ 16,771,935</u>	<u>\$ 7,460,184</u>	<u>\$ 27,417,979</u>

CITY OF HERMISTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 8,241,161	\$ 5,173,160	\$ 666,553	\$ 14,080,874
Cash paid to employees and others for salaries/benefits	(249,298)	(2,185,724)	(152,748)	(2,587,770)
Cash paid to suppliers and others	(6,217,880)	(1,396,875)	(463,803)	(8,078,558)
Net cash provided (used) by operating activities	<u>1,773,983</u>	<u>1,590,561</u>	<u>50,002</u>	<u>3,414,546</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Payment from (to) other funds	-	750,691	-	750,691
Transfers in	600,000	527,000	-	1,127,000
Transfers out	(758,830)	(96,503)	-	(855,333)
Net cash provided (used) by non-capital financing activities	<u>(158,830)</u>	<u>1,181,188</u>	<u>-</u>	<u>1,022,358</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(695,507)	(732,212)	(1,161,102)	(2,588,821)
Capital contributions	-	-	311,821	311,821
Grant proceeds	-	-	492,696	492,696
Debt principal payments	(305,000)	(716,327)	-	(1,021,327)
Interest paid	(518,948)	(1,637,280)	-	(2,156,228)
Net cash provided (used) by capital and related financing activities	<u>(1,519,455)</u>	<u>(3,085,819)</u>	<u>(356,585)</u>	<u>(4,961,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	53,635	16,140	-	69,775
Purchase of investments	(1,188,670)	(101,803)	-	(1,290,473)
Proceeds from sale of investments	1,168,047	100,034	-	1,268,081
Net cash provided (used) by investing activities	<u>33,012</u>	<u>14,371</u>	<u>-</u>	<u>47,383</u>
Net increase (decrease) in cash and cash equivalents	128,710	(299,699)	(306,583)	(477,572)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,064,523</u>	<u>2,800,655</u>	<u>755,048</u>	<u>4,620,226</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,193,233</u>	<u>\$ 2,500,956</u>	<u>\$ 448,465</u>	<u>\$ 4,142,654</u>
REPORTED IN THE STATEMENT OF NET POSITION AS:				
Cash and cash equivalents	\$ 1,020,330	\$ 2,492,667	\$ 448,465	\$ 3,961,462
Restricted cash	172,903	8,289	-	181,192
Cash and cash equivalents, ending	<u>\$ 1,193,233</u>	<u>\$ 2,500,956</u>	<u>\$ 448,465</u>	<u>\$ 4,142,654</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,104,116	\$ (238,849)	\$ (209,446)	\$ 655,821
Adjustments				
Depreciation	520,831	1,011,425	196,932	1,729,188
Decrease (increase) in:				
Accounts receivable	(16,175)	(29,878)	6,701	(39,352)
Prepays	11,867	(2,600)	(200)	9,067
Net pension asset	65,547	408,858	32,067	506,472
Deferred outflow - pension	(12,200)	(117,973)	(8,775)	(138,948)
Increase (decrease) in:				
Accounts payable and accrued expenses	43,541	(69,972)	(13,135)	(39,566)
Deposits	13,661	(29)	-	13,632
Deferred inflow - pension	(52,566)	(508,309)	(37,808)	(598,683)
Net pension liability	95,361	1,147,109	83,666	1,326,136
Accrued compensated absences	-	(9,221)	-	(9,221)
Net cash provided (used) by operating activities	<u>\$ 1,773,983</u>	<u>\$ 1,590,561</u>	<u>\$ 50,002</u>	<u>\$ 3,414,546</u>
NONCASH CAPITAL FINANCING ACTIVITIES:				
Capital Contributions	<u>\$ -</u>	<u>\$ 667,203</u>	<u>\$ -</u>	<u>\$ 667,203</u>

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

1. Summary of Significant Accounting Policies

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

A. Scope of Reporting Entity

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

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

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, 2016

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.

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 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.

CITY OF HERMISTON, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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 \$657,591 in the proprietary funds. Of this amount, \$98,409 was included in the cost of capital assets under construction and \$559,182 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

Inventory in the governmental activities is valued at cost using the consumption method. The City's inventory consists of airport fuel valued at \$36,571. 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 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

CITY OF HERMISTON, OREGON
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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 several items that qualify for reporting in this category. Unavailable revenue from property taxes, municipal court, and grants 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 of Net Position and in the proprietary funds Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period with the City recognizes pension expense.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

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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 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.

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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, 2016 cash and investment consisted of the following:

Cash	\$ 7,912,106
Cash equivalents	<u>4,103,733</u>
Total cash and cash equivalents	<u><u>\$ 12,015,839</u></u>

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

Cash and cash equivalents	\$ 11,777,642
Restricted cash	<u>238,197</u>
Total cash and cash equivalents	<u><u>\$ 12,015,839</u></u>

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 4,103,733
US Agencies	<u>2.47</u>	<u>7,008,464</u>
Total Investments	<u><u>1.56</u></u>	<u><u>\$ 11,112,197</u></u>

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

CITY OF HERMISTON, OREGON
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Restricted Cash

Restricted cash includes \$190,632 of customer deposits and \$47,565 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, 2016, the book value of the City's deposits was \$7,912,106 and the bank balance was \$8,005,663. \$7,755,663 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, 2016, the City's weighted average maturity of its investment portfolio was 2.47 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 government backing and an AAA rating. The Local Government Investment Pool's credit risk is not rated.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker/dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian in a segregated account. For each transaction, the broker or securities dealer issues a confirmation ticket to the City listing the specific instrument, issue, rating, coupon, maturity, CUSIP number, purchase or sale price, yield, transaction date, and other pertinent information. At June 30, 2016, the City does not have investments exposed to custodial credit risk.

Investment Policies

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

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

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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, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital Assets, non-depreciable:				
Land	\$ 2,385,841	\$ 40,393	\$ -	\$ 2,426,234
Construction in progress	265,374	3,137,282	-	3,402,656
Total capital assets, non-depreciable	<u>2,651,215</u>	<u>3,177,675</u>	<u>-</u>	<u>5,828,890</u>
Capital assets, depreciable:				
Buildings and improvements	13,252,256	104,346	-	13,356,602
Machinery and equipment	2,640,837	141,075	(20,601)	2,761,311
Street system	15,496,201	536,950	-	16,033,151
Total capital assets, depreciable	<u>31,389,294</u>	<u>782,371</u>	<u>(20,601)</u>	<u>32,151,064</u>
Total	34,040,509	3,960,046	(20,601)	37,979,954
Less accumulated depreciation for:				
Buildings and improvements	(7,778,182)	(376,454)	-	(8,154,636)
Machinery and equipment	(2,312,280)	(126,017)	20,601	(2,417,696)
Street system	(11,250,847)	(375,968)	-	(11,626,815)
Total accumulated depreciation	<u>(21,341,309)</u>	<u>(878,439)</u>	<u>20,601</u>	<u>(22,199,147)</u>
Net depreciable capital assets	<u>10,047,985</u>	<u>(96,068)</u>	<u>-</u>	<u>9,951,917</u>
Net capital assets	<u>\$ 12,699,200</u>	<u>\$ 3,081,607</u>	<u>\$ -</u>	<u>\$ 15,780,807</u>

Depreciation expense is allocated to governmental functions as follows:

Governmental activities:	
General government	\$ 96,341
Public safety	73,117
Highways and streets	418,941
Culture and recreation	290,040
Total depreciation expense - governmental activities	<u>\$ 878,439</u>

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The changes in capital assets for the business-type activities for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:					
Capital Assets, non-depreciable:					
Land	\$ 1,086,308	\$ -	\$ -	\$ -	\$ 1,086,308
Construction in Progress	<u>2,682,476</u>	<u>48,754</u>	<u>2,116,443</u>	<u>(2,263,701)</u>	<u>2,583,972</u>
Total capital assets, non-depreciable	<u>3,768,784</u>	<u>48,754</u>	<u>2,116,443</u>	<u>(2,263,701)</u>	<u>3,670,280</u>
Capital assets, depreciable:					
Utility Systems and buildings	62,534,846	-	2,797,811	-	65,332,657
Electrical system	17,020,525	1	695,508	-	17,716,034
Equipment and vehicles	<u>1,075,704</u>	<u>1,199</u>	<u>8,373</u>	<u>-</u>	<u>1,085,276</u>
Total capital assets, depreciable	<u>80,631,075</u>	<u>1,200</u>	<u>3,501,692</u>	<u>-</u>	<u>84,133,967</u>
Total	84,399,859	49,954	5,618,135	(2,263,701)	87,804,247
Less accumulated depreciation for:					
Utility Systems and buildings	(20,952,863)	915,709	(1,170,435)	-	(21,207,589)
Electrical system	(5,993,445)	(1)	(520,832)	-	(6,514,278)
Equipment and vehicles	<u>(871,221)</u>	<u>(44,464)</u>	<u>(37,921)</u>	<u>-</u>	<u>(953,606)</u>
Total accumulated depreciation	<u>(27,817,529)</u>	<u>871,244</u>	<u>(1,729,188)</u>	<u>-</u>	<u>(28,675,473)</u>
Net depreciable capital assets	<u>52,813,546</u>	<u>872,444</u>	<u>1,772,504</u>	<u>-</u>	<u>55,458,494</u>
Net capital assets	<u>\$ 56,582,330</u>	<u>\$ 921,198</u>	<u>\$ 3,888,947</u>	<u>\$ (2,263,701)</u>	<u>\$ 59,128,774</u>

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

Business-type activities:

Water	\$ 323,760
Sewer	687,665
Electric	520,831
Regional Water	<u>196,932</u>
Total depreciation expense - business-type activities	<u>\$ 1,729,188</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
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5. Long-term Debt

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Governmental bonds					
2013 pool bonds	\$ 3,025,000	\$ -	\$ 100,000	\$ 2,925,000	\$ 100,000
2013 pool premium	114,155	-	6,342	107,813	6,342
2011 refunding water bonds	2,520,000	-	235,000	2,285,000	240,000
2011 refunding water premium	99,120	-	9,912	89,208	9,912
Total governmental bonds	<u>5,758,275</u>	<u>-</u>	<u>351,254</u>	<u>5,407,021</u>	<u>356,254</u>
Compensated absences	<u>303,375</u>	<u>270,858</u>	<u>242,700</u>	<u>331,533</u>	<u>265,226</u>
Total governmental activities	<u>\$ 6,061,650</u>	<u>\$ 270,858</u>	<u>\$ 593,954</u>	<u>\$ 5,738,554</u>	<u>\$ 621,480</u>
Business-type activities:					
Enterprise bonds					
2005 electric revenue bonds	\$ 11,780,000	\$ -	\$ 305,000	\$ 11,475,000	\$ 330,000
2007 refunding utility bonds	596,727	-	293,314	303,413	303,413
2014 sewer and water bonds	4,715,000	-	-	4,715,000	-
2005 electric revenue discount	(81,504)	-	(4,528)	(76,976)	(4,528)
2014 sewer and water premium	263,650	-	10,546	253,104	10,546
Total enterprise bonds	<u>17,273,873</u>	<u>-</u>	<u>604,332</u>	<u>16,669,541</u>	<u>639,431</u>
Enterprise loans/notes					
Business Oregon	42,806	-	7,748	35,058	8,135
Oregon DEQ	21,100,000	-	415,265	20,684,735	847,325
Total enterprise loans	<u>21,142,806</u>	<u>-</u>	<u>423,013</u>	<u>20,719,793</u>	<u>855,460</u>
Compensated absences	<u>89,041</u>	<u>62,012</u>	<u>71,233</u>	<u>79,820</u>	<u>63,856</u>
Total business-type activities	<u>\$ 38,505,720</u>	<u>\$ 62,012</u>	<u>\$ 1,098,578</u>	<u>\$ 37,469,154</u>	<u>\$ 1,558,747</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.

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

The City issued electric system revenue refunding bonds in October 2005 for \$13,210,000 with interest rates ranging from 3.35% to 4.60% to retire bonds issued in 2002 in a current refunding. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$178,243. This difference and an original issue discount of \$220,607 are reported in the accompanying financial statements as a deduction from bonds payable, and are being charged to operations over the life of the debt using the effective-interest method.

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
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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
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	616,018	621,708	416,254	124,619
2022-2026	3,820,090	2,644,465	1,876,358	381,270
2027-2031	5,310,090	1,643,826	1,096,710	161,375
2032-2036	3,453,674	485,526	507,683	15,703
2037-2041	1,232,184	97,600	-	-
Total	<u>\$ 16,669,541</u>	<u>\$ 8,217,378</u>	<u>\$ 5,407,021</u>	<u>\$ 1,306,850</u>

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 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 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 and the City has canceled the loan.

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

Fiscal Year Ending June 30,	Total enterprise loans	
	Principal	Interest
2017	\$ 855,460	\$ 551,390
2018	878,761	528,180
2019	902,700	504,150
2020	927,300	479,551
2021	942,687	454,279
2022-2026	5,109,609	1,875,221
2027-2031	5,838,393	1,146,437
2032-2036	5,264,883	323,003
Total	\$ 20,719,793	\$ 5,862,211

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	\$ 710,651	\$ 497,731
State Tax Street Fund	-	719,521
Reserve Fund	<u>1,201,587</u>	<u>1,127,000</u>
Total Major Governmental Funds	1,912,238	2,344,252
Non-Major Governmental Funds		
Recreation Reserve Fund	6,417	57,085
Municipal Court Fund	-	25,511
Law Enforcement Fund	19,094	-
Misc. Special Revenue	-	2,500
Transient Room Tax	-	446,910
Conference Center	90,984	23,719
Bonded Debt Fund	<u>3,368,302</u>	<u>-</u>
Total Non-Major Governmental Funds	3,484,797	555,725
Proprietary Funds		
Electric Operations	600,000	1,173,948
Utility Operations	<u>527,000</u>	<u>2,450,110</u>
Total Proprietary Funds	1,127,000	3,624,058
Total All Funds	<u>\$ 6,524,035</u>	<u>\$ 6,524,035</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	\$ 200,000	\$ -
Reserve Fund	-	190,000
Recreation Reserve Fund	40,000	-
Hermiston Urban Renewal Agency	<u>-</u>	<u>50,000</u>
Total	<u>\$ 240,000</u>	<u>\$ 240,000</u>

CITY OF HERMISTON, OREGON
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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 commitments and 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. In June 2016, the City added \$750,000 to the project for a basement and elevator. As of January 31, 2017, the City has incurred \$189,371 on design, survey and appraisal costs. Construction is expected to begin in spring 2017.
2. Airport Improvements – The City was awarded several state and federal grants totaling \$3.6 million during fiscal years 2015 and 2016 for taxiway realignment and other improvements at the Hermiston Municipal Airport. The taxiway realignment was substantially completed in August 2016 at an additional cost of \$160,000. The contractor continues to work through final punch-lists items of which the cost is not expected to exceed \$75,000. Completing a GIS mapping of all the facilities at the Airport is all that remains to be done and is expected to cost approximately \$155,000.
3. EOTEC – The City fully expended 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. The event center was completed in May 2016 while the remaining facilities (barns and rodeo grounds) will be constructed in 2017 for an estimated cost of \$6.6 million. This is a joint venture between Umatilla County and the City of Hermiston and as such they are funding the majority of the costs. The City has committed to issue \$1 million in bonds in 2017 to assist with construction costs. Contributions from businesses and individuals, an additional \$1.5 million state grant, and cash on hand will fund the remainder of the costs.
4. Traffic Control at 11th & Elm – The City entered into an Immediate Opportunity Fund (IOF) agreement with the State of Oregon Department of Transportation (ODOT) in March 2016 to install a traffic signal at the intersection of Elm Avenue and NW 11th as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11th. The project will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11th entrance. The IOF agreement includes a job-creation requirement of 58 new FTEs. As of January 2016 GSMC had met the requirement. The total estimated project cost is \$1.62 million of which the state will fund 50% not to exceed \$813,710. The City is responsible for the remaining 50% plus any cost overruns that occur. The City has also entered into an agreement with GSMC stipulating that GSMC will provide \$450,000 of the City's \$813,710 share. Design of the signal/turn lane/bike crossing is approximately

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40% complete and construction is expected to begin in spring 2017. The City has expended \$15,000 to date on right-of-way costs.

5. The City approved a change order in August 2016 in the amount of \$448,835 to its existing purchase order with Veris Environmental to remove bio-solids from the Sewer Treatment Plant lagoon. The new total for the contract is \$1,390,105. The work was expected to be completed in fiscal year 2016 but was not completed until October 2016.

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

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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.

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Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

C. Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions and employer pick-up contributions for the year ended June 30, 2016 were \$1,184,240, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2016 were 17.22 percent for Tier One/Tier Two General Service Member, 17.22 percent for Tier One/Tier Two Police and Fire, 11.08 percent for OPSRP Pension Program General Service Members, 15.19 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, 2016, the City reported a liability of \$4,813,407 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.0838 percent, which was increased from its proportion of 0.0754 percent measured as of June 30, 2014.

For the year ended June 30, 2016, the City's recognized pension expense (income) of \$4,746,697. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 259,563	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	1,008,999
Changes in proportion	144,274	-
Differences between employer contributions and proportionate share of contributions	<u>43,554</u>	<u>159,272</u>
Total (prior to post-MD contributions)	447,391	1,168,271
Contributions subsequent to the MD	<u>836,292</u>	<u>-</u>
 Total	 <u>\$ 1,283,683</u>	 <u>\$ 1,168,271</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
Amortization Period		Amortization Period	
FY2017	\$ 940,172	FY2017	\$ 517,626
FY2018	103,880	FY2018	517,626
FY2019	103,880	FY2019	517,626
FY2020	99,042	FY2020	(399,087)
FY2021	<u>36,709</u>	FY2021	<u>14,480</u>
Total	<u>\$ 1,283,683</u>	Total	<u>\$ 1,168,271</u>

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, 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

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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, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Long-Term Expected Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and grade COLA
Mortality	Health retirees and beneficiaries: RP-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 (65% for males, 90% for females) 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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

E. 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

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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.

<u>Asset Class/Strategy</u>	<u>Assumed Asset Allocation</u>		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
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	<u>100.00%</u>	

Assumed Inflation - Mean 2.75%

F. Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-

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year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

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

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.

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)	\$ 11,616,980	\$ 4,813,407	\$ (920,217)

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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 \$55,568 to the pension plan.

K. Changes in Plan Provisions During the Measurement Period

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 change in benefit terms were reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date

There were no changes subsequent to the June 30, 2015 measurement date.

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 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

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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 0.53% of annual covered payroll for Tier I and Tier II employees and 0.45% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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, 2016, 2015 and 2014 were \$27,717, \$28,541 and \$32,133, 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. The City transferred \$3.6 million in grant funds in 2016 for construction of the facility and has committed to issue \$1 million in bonds in 2017 to assist with construction costs.

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, 2016, was \$7,220,492. The current year operations of the Authority resulted in a net gain on investment to the City of \$1,227,511.

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 recorded a prior period adjustment for corrections to accounts payable and miscellaneous payables in the amount of \$6,032 and to re-classify prior year's transient room tax revenue of \$94,248 from the Combined General Fund to the Transient Room Tax Fund. This reclassification of room tax revenue has no financial statement effect.

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The City recorded a prior period adjustment in the Reserve Fund to record prior year grant revenue in the amount of \$22,037, correct prior year receivables of \$2,999, reclassify \$4,819 of system development charges to the Reserve Fund, and to reclassify prior year's transient room tax revenue in the amount of \$26,928. This reclassification of room tax revenue has no financial statement effect.

The City recorded a prior period adjustment of \$121,176 in the Transient Room Tax Fund to transfer prior year's room tax revenue reported in other funds. This reclassification of room tax revenue has no financial statement effect.

The City recorded a prior period adjustment of \$9,732 to record prior year's grant revenues in the Recreation Reserve Fund.

The City recorded a prior period adjustment of \$4,819 to reclassify system development charges to the Miscellaneous Special Revenue Fund. This reclassification has no financial statement effect.

The City recorded a prior period adjustment of \$921,199 to correct prior year's accumulated depreciation and to correct prior year's legal fees of \$11,500 in the Utility Operations Fund. The total effect of this prior period adjustment was to increase net position in business-type activities by \$909,699.

14. Pending Accounting Pronouncements

The GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB 75 replaces the requirements of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended. The scope of the statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The City does not report an OPEB liability as it is considered community rated by the actuary. Actuarial standards have changed and the City expects to report an OPEB liability for an implicit rate study in the year ending June 30, 2017 based upon revised actuarial standards and to early implement GASB 75, which is effective for fiscal years beginning after June 15, 2017 and the effect on the City's financial statements has not yet been determined.

The GASB issued Statement No. 77, Tax Abatement Disclosures in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose information about those agreements. GASB Statement No. 77 will be effective for the City, fiscal year ending June 30, 2017.

15. Subsequent Events

West Highland Trail – The City entered into a Local Agency Agreement with ODOT in November 2016 to create a bike lane and/or separated trail on the south side of West Highland Avenue between SW 11th Street and Riverfront Park. The total estimated cost of the project is \$663,255 of which the City's share

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is \$181,000. Design has begun and will continue through the 2016-17 fiscal year. Construction is anticipated to begin in the 2017-18 fiscal year.

The City issued \$4,005,000 in Full Faith and Credit Obligations (Series 1016A) and \$11,525,000 Full Faith and Credit Refunding Obligations (Series 2016B) in September 2016. The Series 2016A Obligations were issued to finance improvements to the City's Electric System and pay costs of issuance of the Obligations. The Series 2016B Obligations were issued to refund certain outstanding obligations of the City which refinanced the acquisition of the City's Electric System and pay costs of issuance of the Obligations.

At the January 24, 2017 City Council meeting, the Council approved rate increases for the water and sewer utilities. These rate increases will be phased in and will take effect on March 1, 2017 (5%), October 1, 2017 (5%), and March 1, 2018 (4.9%).

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.

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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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 5,265,000	\$ 5,265,000	\$ 5,021,221	\$ (243,779)
Licenses and franchise fees	774,200	774,200	822,166	47,966
Grants	31,000	82,985	89,334	6,349
Charges for services	1,207,755	1,207,755	1,455,283	247,528
Intergovernmental	414,000	414,000	442,492	28,492
Fines and forfeitures	582,600	582,600	583,006	406
Interest	49,500	49,500	45,719	(3,781)
Miscellaneous	113,100	113,100	105,912	(7,188)
Total revenues	<u>8,437,155</u>	<u>8,489,140</u>	<u>8,565,133</u>	<u>75,993</u>
EXPENDITURES:				
Current:				
General government	1,832,489	1,968,754	1,895,078	73,676
Public safety	4,494,886	4,536,151	4,412,039	124,112
Culture and recreation	2,070,235	2,114,023	1,964,108	149,915
Capital outlay	138,740	788,301	776,315	11,986
Total expenditures	<u>8,536,350</u>	<u>9,407,229</u>	<u>9,047,540</u>	<u>359,689</u>
Revenues over (under) expenditures	<u>(99,195)</u>	<u>(918,089)</u>	<u>(482,407)</u>	<u>435,682</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	115,000	115,000	55,000	(60,000)
Interfund loan payments	-	(90,000)	(90,000)	-
Transfers in	350,000	710,149	710,651	502
Transfers out	(502,725)	(502,725)	(497,731)	4,994
Total other financing sources (uses)	<u>(37,725)</u>	<u>232,424</u>	<u>177,920</u>	<u>(54,504)</u>
Net changes in fund balance	(136,920)	(685,665)	(304,487)	381,178
FUND BALANCE, BEGINNING	3,813,200	4,364,445	4,901,753	537,308
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>(88,216)</u>	<u>(88,216)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 3,676,280</u>	<u>\$ 3,678,780</u>	4,509,050	<u>\$ 830,270</u>
Interfund loan receivable			<u>200,000</u>	
FUND BALANCE, ENDING			<u>\$ 4,709,050</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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,317,500	\$ 1,317,500	\$ 1,247,984	\$ (69,516)
Total revenues	<u>1,317,500</u>	<u>1,317,500</u>	<u>1,247,984</u>	<u>(69,516)</u>
EXPENDITURES:				
Current:				
Highway and street:				
Personnel services	561,320	534,320	526,988	7,332
Materials and service	<u>149,090</u>	<u>196,844</u>	<u>162,410</u>	<u>34,434</u>
Total expenditures	<u>710,410</u>	<u>731,164</u>	<u>689,398</u>	<u>41,766</u>
Revenues over (under) expenditures	<u>607,090</u>	<u>586,336</u>	<u>558,586</u>	<u>(27,750)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(638,375)</u>	<u>(719,521)</u>	<u>(719,521)</u>	<u>-</u>
Total other financing sources (uses)	<u>(638,375)</u>	<u>(719,521)</u>	<u>(719,521)</u>	<u>-</u>
Net changes in fund balance	(31,285)	(133,185)	(160,935)	(27,750)
FUND BALANCE, BEGINNING	<u>700,000</u>	<u>801,900</u>	<u>802,443</u>	<u>543</u>
FUND BALANCE, ENDING	<u>\$ 668,715</u>	<u>\$ 668,715</u>	<u>\$ 641,508</u>	<u>\$ (27,207)</u>

CITY OF HERMISTON, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For The Last Three Fiscal Years

<u>Measurement Date 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	0.08383593%	\$ 4,813,407	\$ 5,473,635	87.94%	91.90%
2014	0.07543283%	\$ (1,709,847)	\$ 5,446,273	-31.39%	103.60%
2013	0.07543283%	\$ 3,849,448	\$ 5,273,682	72.99%	91.97%

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

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

CITY OF HERMISTON, OREGON
SCHEDULE OF CONTRIBUTIONS
For The Last Three 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
2016	\$ 836,292	\$ 836,292	\$ -	\$ 5,712,418	14.64%
2015	\$ 733,439	\$ 733,439	-	\$ 5,473,635	13.40%
2014	\$ 764,158	\$ 764,158	-	\$ 5,446,273	14.03%

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

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

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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, 2016. The City had four supplemental budgets during the year-ended June 30, 2016. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2016:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General fund	Legal	\$571
General fund	Non-Departmental	\$9,396
Municipal court fund	Transfers out	\$5,296
Conference center fund	Materials and services	\$102
Miscellaneous special revenue fund	Special payments	\$1,151
Bonded debt fund	Debt service	\$162,836
Utility fund	Transfers out	\$162,842

Changes in Benefit Terms

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.

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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 and was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

Changes of Assumptions

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/mercerc_reports.aspx.

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.

Bonded Debt Fund

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

CITY OF HERMISTON, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Conference Center Fund
ASSETS:					
Cash and cash equivalents	\$ 77,321	\$ 350,635	\$ 52,223	\$ 762,166	\$ 68,250
Restricted cash	-	-	-	-	4,440
Accounts receivable	172,815	-	91,452	-	-
Property taxes receivable	-	-	-	-	-
Interfund loan receivable	-	40,000	-	-	-
Total assets	<u>\$ 250,136</u>	<u>\$ 390,635</u>	<u>\$ 143,675</u>	<u>\$ 762,166</u>	<u>\$ 72,690</u>
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 21,537	\$ 60,717	\$ 17,850
Deposits and payables, restricted	-	-	-	-	4,440
Interfund loan payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>21,537</u>	<u>60,717</u>	<u>22,290</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property tax revenue	-	-	-	-	-
Unavailable revenue - municipal court	-	-	91,452	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>91,452</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted for:					
Debt service	-	-	-	-	-
Culture and recreation	-	75,339	-	-	-
Public safety	-	-	-	-	-
Economic development	250,136	-	-	-	-
Committed to:					
Municipal court	-	-	30,686	-	-
Culture and recreation	-	315,296	-	-	50,400
Economic development	-	-	-	-	-
Public safety	-	-	-	-	-
Insurance reserve	-	-	-	627,927	-
Other reserves	-	-	-	73,522	-
Total fund balances	<u>250,136</u>	<u>390,635</u>	<u>30,686</u>	<u>701,449</u>	<u>50,400</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 250,136</u>	<u>\$ 390,635</u>	<u>\$ 143,675</u>	<u>\$ 762,166</u>	<u>\$ 72,690</u>

Law Enforcement Fund	Library Reserve Fund	Hermiston Urban Renewal Agency	Senior Center Construction Fund	Bonded Debt Fund	Total
\$ 86,716	\$ 53,287	\$ 74,347	\$ 41,297	\$ 244,190	\$ 1,810,432
47,565	-	-	-	-	52,005
1,681	-	-	22,199	-	288,147
-	-	1,220	-	17,197	18,417
-	-	-	-	-	40,000
<u>\$ 135,962</u>	<u>\$ 53,287</u>	<u>\$ 75,567</u>	<u>\$ 63,496</u>	<u>\$ 261,387</u>	<u>\$ 2,209,001</u>
\$ -	\$ 633	\$ -	\$ 38,699	\$ -	\$ 139,436
47,565	-	-	-	-	52,005
-	-	50,000	-	-	50,000
<u>47,565</u>	<u>633</u>	<u>50,000</u>	<u>38,699</u>	<u>-</u>	<u>241,441</u>
-	-	1,046	-	14,422	15,468
-	-	-	-	-	91,452
-	-	1,046	-	14,422	106,920
-	-	-	-	246,965	246,965
-	6,690	-	-	-	82,029
57,954	-	-	-	-	57,954
-	-	-	-	-	250,136
-	-	-	-	-	30,686
-	45,964	-	24,797	-	436,457
-	-	24,521	-	-	24,521
30,443	-	-	-	-	30,443
-	-	-	-	-	627,927
-	-	-	-	-	73,522
<u>88,397</u>	<u>52,654</u>	<u>24,521</u>	<u>24,797</u>	<u>246,965</u>	<u>1,860,640</u>
<u>\$ 135,962</u>	<u>\$ 53,287</u>	<u>\$ 75,567</u>	<u>\$ 63,496</u>	<u>\$ 261,387</u>	<u>\$ 2,209,001</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, 2016**

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Transient room tax	558,871	-	-	-
Grants	-	-	-	-
Charges for service	-	-	-	115,552
Fines and forfeitures	-	-	242,248	-
Contributions and donations	-	-	-	-
Miscellaneous	-	-	11	-
Total revenues	558,871	-	242,259	115,552
EXPENDITURES:				
Current:				
General government	-	-	210,058	26,151
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	69,914	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	69,914	-	210,058	26,151
Revenues over (under) expenditures	488,957	-	32,201	89,401
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,417	-	-
Transfers out	(446,910)	(57,085)	(25,511)	(2,500)
Total other financing sources (uses)	(446,910)	(50,668)	(25,511)	(2,500)
Net change in fund balances	42,047	(50,668)	6,690	86,901
FUND BALANCES, BEGINNING	86,913	431,571	23,996	619,367
PRIOR PERIOD ADJUSTMENT	121,176	9,732	-	(4,819)
FUND BALANCES, ENDING	\$ 250,136	\$ 390,635	\$ 30,686	\$ 701,449

Conference Center Fund	Law Enforcement Fund	Library Reserve Fund	Hermiston Urban Renewal Agency	Senior Center Construction Fund	Bonded Debt Fund	Total
\$ -	\$ -	\$ -	\$ 30,829	\$ -	\$ 255,406	\$ 286,235
-	-	-	-	-	-	558,871
-	32,447	6,667	-	66,489	-	105,603
125,812	-	3,634	-	-	-	244,998
-	-	13,179	-	-	-	255,427
-	14,063	4,391	-	-	-	18,454
3,602	-	1,230	-	-	-	4,843
<u>129,414</u>	<u>46,510</u>	<u>29,101</u>	<u>30,829</u>	<u>66,489</u>	<u>255,406</u>	<u>1,474,431</u>
-	-	-	-	-	-	236,209
-	34,325	-	-	-	-	34,325
198,887	-	24,222	-	-	-	223,109
-	-	-	12,809	-	-	82,723
-	-	5,513	-	114,524	-	120,037
-	-	-	-	-	335,000	335,000
-	-	-	-	-	177,635	177,635
<u>198,887</u>	<u>34,325</u>	<u>29,735</u>	<u>12,809</u>	<u>114,524</u>	<u>512,635</u>	<u>1,209,038</u>
<u>(69,473)</u>	<u>12,185</u>	<u>(634)</u>	<u>18,020</u>	<u>(48,035)</u>	<u>(257,229)</u>	<u>265,393</u>
90,984	19,094	-	-	-	190,747	307,242
(23,719)	-	-	-	-	-	(555,725)
<u>67,265</u>	<u>19,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,747</u>	<u>(248,483)</u>
(2,208)	31,279	(634)	18,020	(48,035)	(66,482)	16,910
52,608	57,118	53,288	6,501	72,832	313,447	1,717,641
-	-	-	-	-	-	126,089
<u>\$ 50,400</u>	<u>\$ 88,397</u>	<u>\$ 52,654</u>	<u>\$ 24,521</u>	<u>\$ 24,797</u>	<u>\$ 246,965</u>	<u>\$ 1,860,640</u>

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
- 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
 - Bonded Debt Fund

**CITY OF HERMISTON, OREGON
 COMBINED GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
City Council:				
Personnel services	\$ 14,150	\$ 14,150	\$ 14,151	\$ (1)
Materials and services	18,000	18,000	16,646	1,354
Subtotal	32,150	32,150	30,797	1,353
Manager/Planning:				
Personnel services	372,848	372,848	368,237	4,611
Materials and services	29,550	26,000	26,866	(866)
Capital outlay	-	8,439	8,439	-
Subtotal	402,398	407,287	403,542	3,745
Finance:				
Personnel services	37,264	37,264	36,799	465
Materials and services	17,700	17,700	16,396	1,304
Subtotal	54,964	54,964	53,195	1,769
Legal:				
Materials and services	187,100	187,100	188,271	(1,171)
Capital outlay	600	600	-	600
Subtotal	187,700	187,700	188,271	(571)
Court:				
Personnel services	242,654	242,654	236,506	6,148
Materials and services	9,250	9,250	9,058	192
Subtotal	251,904	251,904	245,564	6,340
Transportation:				
Materials and services	188,375	188,375	132,586	55,789
Subtotal	188,375	188,375	132,586	55,789
Airport:				
Materials and services	209,640	207,440	184,365	23,075
Capital outlay	17,000	19,200	19,193	7
Subtotal	226,640	226,640	203,558	23,082
Building Inspections:				
Personnel services	319,562	319,562	318,518	1,044
Materials and services	23,700	23,700	18,966	4,734
Subtotal	343,262	343,262	337,484	5,778
Parks:				
Personnel services	333,440	333,440	306,620	26,820
Materials and services	144,000	149,000	145,783	3,217
Subtotal	477,440	482,440	452,403	30,037

CITY OF HERMISTON, OREGON
COMBINED GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
Continued:				
Parks/Utility Landscape:				
Personnel services	-	17,738	5,833	11,905
Materials and services	-	750	-	750
Capital outlay	-	19,700	18,789	911
Subtotal	-	38,188	24,622	13,566
Municipal Pool:				
Personnel services	241,246	241,246	232,836	8,410
Materials and services	147,983	147,983	143,930	4,053
Subtotal	389,229	389,229	376,766	12,463
Municipal Building:				
Materials and services	12,900	12,900	10,166	2,734
Subtotal	12,900	12,900	10,166	2,734
Library:				
Personnel services	604,366	604,366	564,743	39,623
Materials and services	61,900	65,400	56,607	8,793
Capital outlay	22,000	22,000	21,532	468
Subtotal	688,266	691,766	642,882	48,884
Recreation:				
Personnel services	406,950	426,950	415,891	11,059
Materials and services	130,350	127,150	91,865	35,285
Capital outlay	-	(1)	-	(1)
Subtotal	537,300	554,099	507,756	46,343
Public Safety Center:				
Materials and services	92,000	106,280	104,056	2,224
Subtotal	92,000	106,280	104,056	2,224
Police Operations:				
Personnel services	3,598,303	3,625,288	3,534,152	91,136
Materials and services	552,679	552,679	528,267	24,412
Capital outlay	87,000	87,000	86,999	1
Subtotal	4,237,982	4,264,967	4,149,418	115,549
Non-departmental:				
Materials and services	401,700	543,715	563,111	(19,396)
Capital outlay	12,140	631,363	621,363	10,000
Subtotal	413,840	1,175,078	1,184,474	(9,396)
Total expenditures	\$ 8,536,350	\$ 9,407,229	\$ 9,047,540	\$ 359,689

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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ 740,000	\$ 3,998,000	\$ 2,897,194	\$ (1,100,806)
Interest	40,000	40,000	39,760	(240)
Miscellaneous	-	-	1,888	1,888
System development charges	45,000	45,000	65,277	20,277
Total revenues	825,000	4,083,000	3,004,119	(1,078,881)
EXPENDITURES:				
Materials and service	664,977	968,127	589,088	379,039
Capital outlay	2,697,935	5,918,118	3,362,769	2,555,349
Total expenditures	3,362,912	6,886,245	3,951,857	2,934,388
Revenues over (under) expenditures	(2,537,912)	(2,803,245)	(947,738)	1,855,507
OTHER FINANCING SOURCES (USES):				
Interfund Loan Proceeds	-	90,000	90,000	-
Interfund Loan Payments	(130,000)	(130,000)	(70,000)	60,000
Transfers in	1,101,460	1,205,720	1,201,587	(4,133)
Transfers out	(1,390,000)	(1,127,000)	(1,127,000)	-
Total other financing sources (uses)	(418,540)	38,720	94,587	55,867
Net changes in fund balance	(2,956,452)	(2,764,525)	(853,151)	1,911,374
FUND BALANCE, BEGINNING	5,163,600	4,995,933	5,985,726	989,793
PRIOR PERIOD ADJUSTMENT	-	-	2,927	2,927
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 2,207,148</u>	<u>\$ 2,231,408</u>	5,135,502	<u>\$ 2,904,094</u>
Interfund loan payable			(190,000)	
FUND BALANCE, ENDING			<u>\$ 4,945,502</u>	

**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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ -	\$ 3,561,480	\$ 3,561,480
Total revenues	-	-	3,561,480	3,561,480
EXPENDITURES:				
Materials and service	5,400,000	5,400,000	3,561,480	1,838,520
Total expenditures	5,400,000	5,400,000	3,561,480	1,838,520
Revenues over (under) expenditures	(5,400,000)	(5,400,000)	-	5,400,000
Net changes in fund balances	(5,400,000)	(5,400,000)	-	5,400,000
FUND BALANCE, BEGINNING	5,400,000	5,400,000	-	(5,400,000)
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, 2016

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES:				
Transient room tax	\$ 533,335	\$ 533,335	\$ 558,871	\$ 25,536
Total revenues	533,335	533,335	558,871	25,536
EXPENDITURES:				
Materials and service	70,000	70,000	69,914	86
Total expenditures	70,000	70,000	69,914	86
Revenues over (under) expenditures	463,335	463,335	488,957	25,622
OTHER FINANCING SOURCES (USES):				
Transfers out	(450,000)	(450,000)	(446,910)	3,090
Total other financing sources (uses)	(450,000)	(450,000)	(446,910)	3,090
Net changes in fund balances	13,335	13,335	42,047	28,712
FUND BALANCE, BEGINNING	40,000	40,000	86,913	46,913
PRIOR PERIOD ADJUSTMENT	-	-	121,176	121,176
FUND BALANCE, ENDING	<u>\$ 53,335</u>	<u>\$ 53,335</u>	<u>\$ 250,136</u>	<u>\$ 196,801</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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds	\$ -	\$ -	\$ 15,000	\$ 15,000
Transfers in	4,000	5,070	6,417	1,347
Transfers out	<u>(57,086)</u>	<u>(57,086)</u>	<u>(57,085)</u>	<u>1</u>
Total other financing sources (uses)	<u>(53,086)</u>	<u>(52,016)</u>	<u>(35,668)</u>	<u>16,348</u>
Net changes in fund balance	(53,086)	(52,016)	(35,668)	16,348
FUND BALANCE, BEGINNING BUDGETARY BASIS	235,000	235,000	376,571	141,571
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>9,732</u>	<u>9,732</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 181,914</u>	<u>\$ 182,984</u>	\$ 350,635	<u>\$ 167,651</u>
Interfund loan receivable			<u>40,000</u>	
FUND BALANCE, ENDING			<u>\$ 390,635</u>	

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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 246,900	\$ 251,115	\$ 242,248	\$ (8,867)
Miscellaneous	-	-	11	11
Total revenues	<u>246,900</u>	<u>251,115</u>	<u>242,259</u>	<u>(8,856)</u>
EXPENDITURES:				
Materials and service	<u>18,500</u>	<u>18,500</u>	<u>13,835</u>	<u>4,665</u>
Total expenditures	<u>18,500</u>	<u>18,500</u>	<u>13,835</u>	<u>4,665</u>
Revenues over (under) expenditures	<u>228,400</u>	<u>232,615</u>	<u>228,424</u>	<u>(4,191)</u>
OTHER FINANCING SOURCES (USES):				
Interfund loan payments	(212,400)	(212,400)	(196,223)	16,177
Transfers out	<u>(16,000)</u>	<u>(20,215)</u>	<u>(25,511)</u>	<u>(5,296)</u>
Total other financing sources (uses)	<u>(228,400)</u>	<u>(232,615)</u>	<u>(221,734)</u>	<u>10,881</u>
Net changes in fund balance	-	-	6,690	6,690
FUND BALANCE, BEGINNING	<u>35,000</u>	<u>35,000</u>	<u>23,996</u>	<u>(11,004)</u>
FUND BALANCE, ENDING	<u><u>\$ 35,000</u></u>	<u><u>\$ 35,000</u></u>	<u><u>\$ 30,686</u></u>	<u><u>\$ (4,314)</u></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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 20,000	\$ 25,000	\$ 115,552	\$ 90,552
Total revenues	20,000	25,000	115,552	90,552
EXPENDITURES:				
Personnel services	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
Revenues over (under) expenditures	10,000	15,000	115,552	100,552
OTHER FINANCING SOURCES (USES):				
Interfund loan payments	(20,000)	(25,000)	(26,151)	(1,151)
Transfers out		(2,500)	(2,500)	-
Total other financing sources (uses)	(20,000)	(27,500)	(28,651)	(1,151)
Net changes in fund balance	(10,000)	(12,500)	86,901	99,401
FUND BALANCE, BEGINNING	10,000	12,500	619,367	606,867
PRIOR PERIOD ADJUSTMENT	-	-	(4,819)	(4,819)
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,449</u>	<u>\$ 701,449</u>

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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 154,350	\$ 90,000	\$ 125,812	\$ 35,812
Miscellaneous	4,000	4,000	3,602	(398)
Total revenues	158,350	94,000	129,414	35,414
EXPENDITURES:				
Materials and service	190,475	198,785	198,887	(102)
Total expenditures	190,475	198,785	198,887	(102)
Revenues over (under) expenditures	(32,125)	(104,785)	(69,473)	35,312
OTHER FINANCING SOURCES (USES):				
Transfers in	31,625	95,975	90,984	(4,991)
Transfers out	(2,000)	(26,260)	(23,719)	2,541
Total other financing sources (uses)	29,625	69,715	67,265	(2,450)
Net changes in fund balance	(2,500)	(35,070)	(2,208)	32,862
FUND BALANCE, BEGINNING	60,000	92,570	52,608	(39,962)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 57,500</u>	<u>\$ 57,500</u>	<u>\$ 50,400</u>	<u>\$ (7,100)</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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ 10,000	\$ 12,900	\$ 32,447	\$ 19,547
Contributions and donations	15,000	15,000	14,063	(937)
Total revenues	25,000	27,900	46,510	18,610
EXPENDITURES:				
Personnel services	5,000	6,100	6,100	-
Materials and service	38,500	40,300	28,225	12,075
Total expenditures	43,500	46,400	34,325	12,075
Revenues over (under) expenditures	(18,500)	(18,500)	12,185	30,685
OTHER FINANCING SOURCES (USES):				
Transfers in	12,000	15,145	19,094	3,949
Total other financing sources (uses)	12,000	15,145	19,094	3,949
Net changes in fund balance	(6,500)	(3,355)	31,279	34,634
FUND BALANCE, BEGINNING	34,500	34,500	57,118	22,618
FUND BALANCE, ENDING	<u>\$ 28,000</u>	<u>\$ 31,145</u>	<u>\$ 88,397</u>	<u>\$ 57,252</u>

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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ 5,000	\$ 5,000	\$ 6,667	\$ 1,667
Charges for service	1,000	1,000	3,634	2,634
Fines and forfeitures	16,000	16,000	13,179	(2,821)
Contributions and donations	4,000	4,000	4,391	391
Miscellaneous	-	-	1,230	1,230
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	26,000	26,000	29,101	3,101
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Materials and service	28,500	28,500	24,222	4,278
Capital outlay	17,500	17,500	5,513	11,987
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	46,000	46,000	29,735	16,265
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balance	(20,000)	(20,000)	(634)	19,366
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, BEGINNING	32,000	32,000	53,288	21,288
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, ENDING	\$ 12,000	\$ 12,000	\$ 52,654	\$ 40,654
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 15,000	\$ 15,000	\$ 30,829	\$ 15,829
Total revenues	15,000	15,000	30,829	15,829
EXPENDITURES:				
Materials and service	70,000	70,000	12,809	57,191
Total expenditures	70,000	70,000	12,809	57,191
Revenues over (under) expenditures	(55,000)	(55,000)	18,020	73,020
Net changes in fund balances	(55,000)	(55,000)	18,020	73,020
FUND BALANCES, BEGINNING BUDGETARY BASIS	60,000	60,000	56,501	(3,499)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 5,000</u>	<u>\$ 5,000</u>	74,521	<u>\$ 69,521</u>
Interfund loan payable			(50,000)	
FUND BALANCE, ENDING			<u>\$ 24,521</u>	

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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ 2,000,000	\$ 2,000,000	\$ 66,489	\$ (1,933,511)
Total revenues	2,000,000	2,000,000	66,489	(1,933,511)
EXPENDITURES:				
Capital outlay	2,073,360	2,073,360	114,524	1,958,836
Total expenditures	2,073,360	2,073,360	114,524	1,958,836
Revenues over (under) expenditures	(73,360)	(73,360)	(48,035)	25,325
Net changes in fund balances	(73,360)	(73,360)	(48,035)	25,325
FUND BALANCES, BEGINNING	73,360	73,360	72,832	(528)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 24,797	\$ 24,797

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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 261,890	\$ 261,890	\$ 255,406	\$ (6,484)
Total revenues	261,890	261,890	255,406	(6,484)
EXPENDITURES:				
Debt service:				
Principal	933,314	933,314	1,356,327	(423,013)
Interest	2,594,040	2,594,040	2,333,863	260,177
Total expenditures	3,527,354	3,527,354	3,690,190	(162,836)
Revenues over (under) expenditures	(3,265,464)	(3,265,464)	(3,434,784)	(169,320)
OTHER FINANCING SOURCES (USES):				
Transfers in	3,205,464	3,205,464	3,368,302	162,838
Total other financing sources (uses)	3,205,464	3,205,464	3,368,302	162,838
Net changes in fund balances	(60,000)	(60,000)	(66,482)	(6,482)
FUND BALANCE, BEGINNING	300,000	300,000	313,447	13,447
FUND BALANCE, ENDING	\$ 240,000	\$ 240,000	\$ 246,965	\$ 6,965

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, 2016

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES:				
Charges for service	\$ 8,040,765	\$ 8,040,765	\$ 8,124,700	\$ 83,935
Interest	5,000	5,000	41,709	36,709
Miscellaneous	140,000	140,000	118,975	(21,025)
Total revenues	<u>8,185,765</u>	<u>8,185,765</u>	<u>8,285,384</u>	<u>99,619</u>
EXPENDITURES:				
Personnel services	254,050	254,050	249,298	4,752
Materials and service	7,111,502	7,114,002	6,670,251	443,751
Capital outlay	457,500	715,000	695,507	19,493
Total expenditures	<u>7,823,052</u>	<u>8,083,052</u>	<u>7,615,056</u>	<u>467,996</u>
Revenues over (under) expenditures	<u>362,713</u>	<u>102,713</u>	<u>670,328</u>	<u>567,615</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	600,000	600,000	600,000	-
Transfers out	(873,950)	(1,173,950)	(1,173,948)	2
Total other financing sources (uses)	<u>(273,950)</u>	<u>(573,950)</u>	<u>(573,948)</u>	<u>2</u>
Net changes in fund balance	88,763	(471,237)	96,380	567,617
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>2,650,000</u>	<u>2,950,000</u>	<u>3,383,909</u>	<u>433,909</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 2,738,763</u>	<u>\$ 2,478,763</u>	3,480,289	<u>\$ 1,001,526</u>
RECONCILIATION TO NET POSITION - GAAP BASIS				
Prepaid items			92,619	
Capital assets, net			11,201,756	
Deferred outflows related to pension			42,451	
Deferred charge on refunding			62,559	
Accrued interest payable			(126,515)	
Current portion of long-term debt			(325,472)	
Noncurrent portion of long-term debt			(11,072,552)	
Deferred inflows related to pension			(73,914)	
Net Pension Liability			<u>(95,361)</u>	
NET POSITION			<u>\$ 3,185,860</u>	

CITY OF HERMISTON, OREGON
UTILITY OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016

	Utility Fund	2014 Water & Sewer Revenue Bond Fund	RWTP Construction Fund	Total Utility Operations
REVENUES:				
Charges for service	\$ 5,182,027	\$ -	\$ -	\$ 5,182,027
Special assessments	21,040	-	-	21,040
Interest	14,520	622	-	15,142
	<u>5,217,587</u>	<u>622</u>	<u>-</u>	<u>5,218,209</u>
Total revenues				
EXPENDITURES:				
Water	1,595,999	-	-	1,595,999
Sewer	1,916,529	-	-	1,916,529
Capital outlay	8,372	723,939	-	732,311
	<u>3,520,900</u>	<u>723,939</u>	<u>-</u>	<u>4,244,839</u>
Total expenditures				
Revenues over (under) expenditures	<u>1,696,687</u>	<u>(723,317)</u>	<u>-</u>	<u>973,370</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	527,000	-	-	527,000
Transfers out	(2,450,110)	-	-	(2,450,110)
	<u>(1,923,110)</u>	<u>-</u>	<u>-</u>	<u>(1,923,110)</u>
Total other financing sources (uses)				
Net change in fund balances	(226,423)	(723,317)	-	(949,740)
FUND BALANCES, BEGINNING BUDGETARY BASIS	4,008,672	943,784	(1,037,571)	3,914,885
PRIOR PERIOD ADJUSTMENT	<u>(828,604)</u>	<u>(220,467)</u>	<u>1,037,571</u>	<u>(11,500)</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 2,953,645</u>	<u>\$ -</u>	<u>\$ -</u>	2,953,645
RECONCILIATION TO NET POSITION - GAAP BASIS				
Prepaid items				31,600
Capital assets, net				41,153,814
Deferred outflows related to pension				306,660
Accrued interest payable				(174,923)
Current portion of long-term debt				(1,233,275)
Noncurrent portion of long-term debt				(24,837,855)
Deferred inflows related to pension				(280,622)
Net Pension Liability				<u>(1,147,109)</u>
NET POSITION				<u>\$ 16,771,935</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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for service	\$ 5,110,000	\$ 5,110,000	\$ 5,182,027	\$ 72,027
Special assessments	20,000	20,000	21,040	1,040
Interest	7,500	7,500	14,520	7,020
Total revenues	<u>5,137,500</u>	<u>5,137,500</u>	<u>5,217,587</u>	<u>80,087</u>
EXPENDITURES:				
Sewer	1,857,969	2,953,225	1,924,901	1,028,324
Water	1,732,571	1,778,683	1,595,999	182,684
Total expenditures	<u>3,590,540</u>	<u>4,731,908</u>	<u>3,520,900</u>	<u>1,211,008</u>
Revenues over (under) expenditures	<u>1,546,960</u>	<u>405,592</u>	<u>1,696,687</u>	<u>1,291,095</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	527,000	527,000	527,000	-
Transfers out	(2,230,765)	(2,287,268)	(2,450,110)	(162,842)
Total other financing sources (uses)	<u>(1,703,765)</u>	<u>(1,760,268)</u>	<u>(1,923,110)</u>	<u>(162,842)</u>
Net changes in fund balance	(156,805)	(1,354,676)	(226,423)	1,128,253
FUND BALANCE, BEGINNING	2,816,020	3,013,891	4,008,672	994,781
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>(828,604)</u>	<u>(828,604)</u>
FUND BALANCE, ENDING	<u><u>\$ 2,659,215</u></u>	<u><u>\$ 1,659,215</u></u>	<u><u>\$ 2,953,645</u></u>	<u><u>\$ 1,294,430</u></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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 622	\$ 622
Total revenues	-	-	622	622
EXPENDITURES:				
Capital outlay	1,300,000	1,300,000	723,939	576,061
Total expenditures	1,300,000	1,300,000	723,939	576,061
Revenues over (under) expenditures	(1,300,000)	(1,300,000)	(723,317)	576,683
Net changes in fund balance	(1,300,000)	(1,300,000)	(723,317)	576,683
FUND BALANCE, BEGINNING	1,300,000	1,300,000	943,784	(356,216)
PRIOR PERIOD ADJUSTMENT	-	-	(220,467)	(220,467)
FUND BALANCE, ENDING	\$ -	\$ -	\$ -	\$ -

**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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE, BEGINNING	\$ -	\$ -	\$ (1,037,571)	\$ (1,037,571)
PRIOR PERIOD ADJUSTMENT	-	-	1,037,571	1,037,571
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants	\$ -	\$ 664,200	\$ 664,200	\$ -
Charges for service	587,800	587,800	659,852	72,052
Contributions and donations	-	550,000	440,430	(109,570)
Total revenues	587,800	1,802,000	1,764,482	(37,518)
EXPENDITURES:				
Personnel services	155,730	155,730	152,748	2,982
Materials and service	504,468	504,468	454,117	50,351
Capital outlay	-	1,214,200	1,157,653	56,547
Total expenditures	660,198	1,874,398	1,764,518	109,880
Net changes in fund balance	(72,398)	(72,398)	(36)	72,362
FUND BALANCE, BEGINNING BUDETARY BASIS	850,000	850,000	768,977	(81,023)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 777,602	\$ 777,602	768,941	\$ (8,661)
RECONCILIATION TO NET POSITION - GAAP BASIS				
Prepaid items			2,200	
Capital assets, net			6,773,204	
Deferred outflows related to pension			23,573	
Deferred inflows related to pension			(24,068)	
Net Pension Liability			(83,666)	
NET POSITION			\$ 7,460,184	

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OTHER FINANCIAL SCHEDULES

CITY OF HERMISTON, OREGON
RESERVE FUND
SCHEDULE OF DETAIL ALLOCATIONS
For the Fiscal Year Ended June 30, 2016

City Ordinances have established specific allocations of the Reserve Fund. The following schedule presents the allocations of the 2015-2016 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	\$ 48,599	\$ -	\$ -	\$ 1,000	\$ 3,000	\$ 50,599
Airport improvements	130,215	1,036	2,839,193	2,998,737	15,000	(13,293)
Tourism	84,682	(13,464)	-	37,245	49,657	83,630
Parks development	57,669	(13,464)	-	787	49,657	93,075
Bicycle trails	29,602	-	-	-	9,500	39,102
Parks-SDC	37,273	-	21,200	-	-	58,473
Skate park	5,000	-	-	40,393	-	(35,393)
Victory square park	8,000	-	56,499	90,917	-	(26,418)
Sunset Park	-	-	-	1,080	45,000	43,920
South 2nd ST Gateway	-	-	-	-	12,085	12,085
Street equipment	140,784	1,962	-	-	90,000	232,746
Street maintenance	101	-	-	526,241	526,875	735
Street construction	250,944	-	1,889	-	90,000	342,833
Traffic control 11th & Elm	360,000	-	-	-	-	360,000
Elm entrance	39,000	-	-	36,370	-	2,630
Pioneer hi-bred improvements	164,450	-	-	5,607	50,000	208,843
Sewer department equipment	22,986	-	-	-	-	22,986
Wastewater treatment plant	376	-	-	-	-	376
Sanitary sewer-SDC	54,274	-	18,737	-	-	73,011
Water department equipment	28,104	-	-	-	40,000	68,104
Water-SDC	342,734	-	25,340	-	-	368,074
Utility construction	1,034,949	22,038	-	133,093	-	923,894
Regional water system	363,760	-	-	33,969	-	329,791
HES improvements	1,086,104	-	-	-	-	1,086,104
Hermiston Conference Center	19,265	-	-	6,115	20,814	33,964
Community Enhancements	-	-	-	6,820	100,000	93,180
City Hall Improvements	-	-	-	33,483	100,000	66,517
Alora Pump Station	-	4,819	-	-	-	4,819
Hiliand/Kennison Field	-	-	1,500	-	-	1,500
Utility-RSA	790,000	-	-	-	(527,000)	263,000
HES-RSA	600,000	-	-	-	(600,000)	-
Belt park	16,800	-	-	-	-	16,800
Accrued investment interest	100,055	-	39,760	-	-	139,815
	<u>\$ 5,815,726</u>	<u>\$ 2,927</u>	<u>\$ 3,004,118</u>	<u>\$ 3,951,857</u>	<u>\$ 74,588</u>	<u>\$ 4,945,502</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.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	87
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	91
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.	95
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.	100
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.	103

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 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	\$ 12,617,100
Restricted	163,822	-	-	1,464,314	3,008,653	2,600,026	2,576,299	1,721,429	2,238,796	2,210,641
Unrestricted	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	11,704,803
Total governmental activities net position	\$ 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	\$ 26,532,544
Business-type activities										
Net investment in capital assets	\$ 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	\$ 21,719,929
Restricted	-	-	-	-	-	-	-	4,766,504	910,400	-
Unrestricted	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	5,698,050
Total business-type activities net position	\$ 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	\$ 27,417,979
Primary government										
Net investment in capital assets	\$ 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	\$ 31,962,821
Restricted	163,822	-	-	1,464,314	3,008,653	2,600,026	2,576,299	6,487,933	3,149,196	2,210,641
Unrestricted	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	19,777,061
Total primary government net position	\$ 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	\$ 53,950,523

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

Expenses	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 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	\$ 3,163,574
Public safety	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	6,245,648
Highways and streets	1,126,117	1,195,630	1,152,628	1,069,663	946,193	961,303	1,011,422	1,137,768	900,581	1,333,965
Economic development	-	55,184	93,848	129,900	15,500	-	-	-	77,207	82,723
Culture and recreation	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	4,850,208
Interest on long-term debt	157,475	149,829	148,356	147,203	145,981	144,209	68,386	79,275	164,052	158,589
Total governmental activities expenses	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	15,834,707
Business-type activities:										
Water	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	3,640,686
Sewer	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	3,456,671
Electric Operations	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	7,663,289
Total business-type activities expenses	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	14,760,646
Total primary government expenses	\$ 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	\$ 30,595,353
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,074,679	\$ 646,032	\$ 1,013,349	\$ 987,958	\$ 665,312	\$ 551,825	\$ 635,560	\$ 846,514	\$ 593,195	\$ 612,955
Public Safety	104,110	644,475	681,836	825,617	819,888	762,125	827,126	777,567	911,960	952,067
Cultural and recreation	533,716	572,890	405,375	617,699	638,879	673,172	701,662	618,789	699,689	646,763
Economic development	-	-	-	-	-	-	-	-	-	195,851
Operating grants and contributions	154,949	130,437	225,092	231,061	503,157	93,004	91,517	92,624	1,160,072	1,621,506
Capital grants and contributions	387,466	322,692	1,194,254	236,413	199,858	376,926	401,383	673,801	3,025,502	8,620,793
Total governmental activities program revenues	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	12,774,595
Business-type activities:										
Charges for services:										
Water	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	3,631,599
Sewer	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	2,231,320
Electricity	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	8,124,700
Capital grants and contributions	-	-	-	-	-	-	-	-	-	185,549
Total business-type activities program revenues	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	15,626,359
Total primary government program revenues	\$ 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	\$ 28,400,954
Net (expense)/revenue										
Governmental activities	(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)	(3,060,112)
Business-type activities	249,755	505,606	1,073,185	1,434,173	1,137,920	577,331	802,962	70,418	1,362,379	865,713
Total primary government net expense	\$ (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)	\$ (2,194,399)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	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	5,324,750
Franchise fee	438,831	424,780	508,594	412,427	389,756	396,169	384,155	409,002	929,148	972,207
Public service taxes	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	349,544	203,167	52,759	10,873	14,570	4,109	21,485	130,246	87,699	85,479
Change in joint venture net position	-	-	-	-	-	-	845,921	(98,357)	54,909	-
Other revenues	785,148	708,055	618,458	578,011	439,541	464,493	552,843	227,062	185,408	112,643
Gain (loss) on disposal of capital assets	(11,096)	-	-	-	-	-	-	-	-	-
Transfers	(350,294)	520,965	(214,228)	182,056	(28,473)	(359,513)	864,438	(34,068)	1,065,243	(404,760)
Total governmental activities	\$ 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	\$ 6,090,319
Business-type activities:										
Interest on investment earnings	167,017	174,581	56,744	21,272	18,027	7,079	10,648	40,595	76,640	56,851
Other revenues	70,742	84,906	67,273	145,606	196,320	131,056	151,859	217,916	141,668	118,975
Transfers	350,294	(520,965)	214,228	(182,056)	28,473	359,513	(864,438)	34,068	(1,065,243)	404,760
Extraordinary items	-	385,614	-	-	-	-	-	-	-	-
Total business-type activities	588,053	124,136	338,245	(15,178)	242,820	497,648	(701,931)	292,579	(846,935)	580,586
Total primary government	\$ 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	\$ 6,670,905
Change in Net Position										
Governmental activities	(131,212)	600,962	149,174	945,372	1,062,213	350,602	1,943,347	559,715	4,485,035	3,030,207
Business-type activities	837,808	629,742	1,411,430	1,418,995	1,380,740	1,074,979	101,031	362,997	515,444	1,446,299
Total primary government	\$ 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	\$ 4,476,506

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund	*	*	*	*						
Reserved	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	55,000	-	1,859,278	1,502,800	1,553,269	207,250
Unassigned	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	4,501,800
Total general fund	\$ 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	\$ 4,709,050
All other governmental funds										
Reserved	\$ 83,900	\$ -	\$ -	\$ 21,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,437,527	4,047,028	3,971,670	4,086,817	-	-	-	-	-	-
Debt service funds	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	2,210,641
Committed	-	-	-	-	1,560,134	1,940,657	3,818,631	5,178,081	6,097,014	5,237,009
Total all other governmental funds	\$ 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	\$ 7,447,650
Total all funds	\$ 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	\$ 12,156,700

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 5,307,456
Transient room tax	313,442	320,022	339,377	363,115	364,064	413,789	441,185	588,111	515,452	558,871
Licenses & franchise fees	441,996	429,945	513,764	417,007	395,146	401,519	388,510	413,657	413,696	413,336
Charges for services	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	1,765,558
Intergovernmental	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	1,690,476
Fines and forfeits	521,637	534,927	676,666	821,037	703,996	650,872	718,828	666,095	802,025	838,433
Investment interest	349,544	203,167	52,759	10,873	14,455	4,109	21,485	130,246	87,699	85,479
Miscellaneous	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	6,784,708
Total revenues	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	17,444,317
Expenditures										
General government	\$ 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	\$ 2,720,375
Public safety	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	4,446,364
Highways and streets	813,344	848,896	813,932	715,241	611,728	580,281	618,522	733,546	635,584	689,398
Economic development	-	55,184	93,848	129,900	15,500	-	-	-	77,207	82,723
Culture and recreation	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	2,187,217
Capital outlay	937,742	788,371	1,688,420	284,884	376,545	681,704	864,410	1,033,467	4,124,944	7,820,601
Debt service										
Principle	118,000	128,000	40,000	45,000	45,000	55,000	60,000	135,000	330,000	335,000
Interest	159,645	154,355	148,439	147,309	145,981	144,363	72,907	96,085	183,523	177,635
Total expenditures	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	18,459,313
Excess of revenues over (under) expenditures	(15,924)	76,512	(586,733)	1,227,672	1,500,357	829,128	290,164	408,301	(349,020)	(1,014,996)
Other financing sources (uses)										
Transfers in	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	2,628,310
Transfers out	(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)	(2,899,977)
Change in joint venture fund balance	-	-	-	-	-	-	1,492,582	(195,218)	-	-
Total other financing sources (uses)	(350,294)	520,965	(214,228)	182,056	(28,473)	(359,513)	2,357,020	(229,286)	2,059,544	(271,667)
Net change in fund balances	\$ (366,218)	\$ 597,477	\$ (800,961)	\$ 1,409,728	\$ 1,471,884	\$ 469,615	\$ 2,647,184	\$ 179,015	\$ 1,710,524	\$ (1,286,663)
Debt service as a percentage of non-capital expenditures ((Debt/Other Exp)+Capital Additions)	3.40%	3.30%	2.01%	2.23%	2.33%	2.35%	1.42%	2.42%	3.82%	3.54%

REVENUE CAPACITY

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

Fiscal Year Ended June 30	Real Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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	769,409,690	46,304,920	25,825,983	841,540,593	6.90	986,977,008	85.26%
2016	802,031,496	46,400,570	28,581,490	877,013,556	6.82	1,033,085,828	84.89%

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, 2016

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct rates										
City of Hermiston - general	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09	6.09
City of Hermiston - bond	0.30	0.38	0.40	0.35	0.46	0.51	0.52	0.48	0.50	0.17
Hermiston Urban Renewal District	0.43	0.43	-	-	-	-	-	-	-	-
Total direct rates	<u>6.82</u>	<u>6.90</u>	<u>6.49</u>	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>	<u>6.26</u>
Overlapping rates										
Umatilla County	3.04	3.03	3.06	3.10	3.11	3.11	3.11	3.11	3.12	3.14
Hermiston School District #8	8.97	9.02	9.02	9.01	8.98	9.12	9.26	7.40	8.07	7.99
Intermountain E.S.D.	0.62	0.62	0.62	0.62	0.62	0.56	0.56	0.56	0.56	0.56
Blue Mountain Communitrt College	0.66	0.66	0.95	0.96	0.96	0.97	0.97	0.96	0.99	0.99
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	0.17	-	-	-	-	-
West Umatilla Mosquito Control District	0.28	0.24	0.38	0.29	0.29	0.29	0.34	0.25	0.25	0.25
Total overlapping rates	<u>15.18</u>	<u>15.18</u>	<u>15.64</u>	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>	<u>14.37</u>
Total Rates	<u>22.00</u>	<u>22.08</u>	<u>22.13</u>	<u>22.03</u>	<u>22.12</u>	<u>22.09</u>	<u>22.29</u>	<u>20.29</u>	<u>21.02</u>	<u>20.63</u>

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

Taxpayer	2007			2016		
	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	30,919,040	1	4.80%	32,516,940	1	3.86%
PIONEER HI BRED	-		0.00%	17,226,090	2	2.05%
HD DEVELOPMENT OF MARYLAND INC	-		0.00%	8,671,300	3	1.03%
WAL-MART REAL ESTATE BUSINESS TRU	-		0.00%	8,600,990	4	1.02%
WAL-MART/SAMS CLUB -BPP USO6037	5,542,200	9	0.90%	8,993,870	5	1.07%
TETON VENTURE LLC & TRIUMPH PROPERTY	-		0.00%	7,701,020	6	0.92%
UMATILLA ELECTRIC CO-OP ASSN	5,928,920	8	0.90%	6,344,670	7	0.75%
CHARTER COMMUNICATIONS	-		0.00%	6,247,800	8	0.74%
CDS HERMISTON, LLC	-		0.00%	5,353,850	9	0.64%
STERLING RIDGE APARTMENTS, LLC	4,332,948	10	0.70%	5,471,620	10	0.65%
HOME DEPOT USA INC.	9,170,400	2	1.4%	-		0.00%
RETAIL TRUST #2	8,262,110	3	1.30%	-		0.00%
U.S. WEST COMMUNICATIONS	6,966,100	4	1.10%	-		0.00%
PAN PACIFIC RETAIL PROPERTIES	6,949,480	5	1.10%	-		0.00%
HERMISTON FOODS LLC	6,453,320	6	1.00%	-		0.00%
CMH MANUFACTURING WEST, INC	5,970,800	7	0.90%	-		0.00%
Totals	90,495,318		14.10%	107,128,150		12.73%

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
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%	75,568	5,099,570	95.3%
2016	5,454,892	5,145,592	94.3%	-	5,145,592	94.3%

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 Income	Per Capita	Population
	General Obligation Bonds	Street Revenue Bonds	Revenue Bonds	Refunding Bonds	Notes Payable	Other Notes				
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
2016	5,407,021	-	16,669,541	-	20,719,793	-	42,796,355	N/A	2414	17,730

Note:

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

N/A - Not Available

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property	Per Capita	Population (1)	Assessed Value (2)
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	0.65%	311	17,520	841,540,593
2016	5,407,021	246,965	5,160,056	0.59%	291	17,730	877,013,556

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

Sources:

(1) United States Census

(2) County Assessment and Taxation

N/A - Not Available

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

Fiscal Year	Utility			Debt Service		
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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
2016	5,203,067	4,430,491	772,576	293,314	224,766	1.49

Fiscal Year	Electric			Debt Service		
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
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
2016	8,243,675	6,618,728	1,624,947	305,000	518,948	1.97

CITY OF HERMISTON , OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2016

Governmental Unit	Debt Outstanding (a)	Estimated Percentage Applicable	Amount Applicable to the City
Umatilla County	\$ 1,405,640	14.65%	\$ 205,916
Umatilla County School District #8 (Hermiston)	\$ 93,536,338	41.78%	\$ 39,080,324
Umatilla County School District #61 (Stanfield)	\$ 4,195,041	14.96%	\$ 627,494
Port of Umatilla	\$ 757,574	14.65%	\$ 110,979
Blue Mountain Community College	\$ 31,120,000	8.68%	\$ 2,702,274
Total overlapping debt	<u>131,014,593</u>		<u>42,726,987</u>
City direct debt	<u>5,407,021</u>	100.00%	<u>5,407,021</u>
Total direct and overlapping debt	<u>\$ 136,421,614</u>		<u>\$ 48,134,008</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.

(a) Outstanding Net Property-tax Backed Debt

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

True Cash Value (1)	\$ 1,033,085,828
	<u> x 3%</u>
General Obligation Debt Limit (2)	30,992,575
Gross bonded debt subject to limitation	2,285,000
Legal debt margin available for future indebtedness	\$ 28,707,575
Total net debt applicable to the limit as a percentage of debt limit	7.37%

Fiscal Year	True Cash Value	Debt Limit	Total debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of the debt limit
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%
2016	1,033,085,828	30,992,575	2,285,000	\$ 28,707,575	7.37%

Sources:

(1) From Umatilla County Assessment and Taxation

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

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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)
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%
2016	17,730	*	*	5.9%

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	2016			2007		
	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	900	2	7.40%	1000	1	8.80%
Union Pacific Railroad	600	3	3.90%	435	4	3.80%
Good Shepherd Medical Center	572	4	4.90%	426	6	3.80%
River Point Farms	550	5	4.70%	N/A	N/A	N/A
Hermiston School District	519	6	4.50%	420	7	3.70%
Wal-Mart Supercenter	400	7	3.50%	360	9	3.20%
Shearers	360	8	3.10%	N/A	N/A	N/A
Hermiston Foods	325	9	2.80%	300	10	2.70%
Medelez Trucking	200	10	1.70%	N/A	N/A	N/A
	<u>5,746</u>		<u>47.90%</u>	<u>3,441</u>		<u>30.40%</u>

Source:
 City Business licenses

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

Full-time Equivalent Employees as of December 31

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	11.2	11.2	11.2	6.5	5.89	7.97	8.17	9.66	9.52	10.72
Public Safety	33.5	35	35	33	33	36	35.1	35.5	30.5	30.5
Highways and streets	6.3	6.3	6.3	5.6	5.83	5.34	5.65	6.33	6.47	5.33
Culture and recreation	27.5	27.5	27.5	23.5	27.3	28.72	24.95	23.8	23	23.5
Water	10.7	10.7	10.7	10	9.92	10.62	10.66	10.59	10.63	10.63
Sewer	11.4	11.4	11.4	11	8.59	11.28	11.62	11.26	11.3	11.3
Electric	2.4	2.4	2.4	2.4	2.54	2.33	2.31	2.38	2.31	2.31
Total	103	104.5	104.5	92	93.07	102.26	98.46	99.52	93.73	94.29

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										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Governmental activities											
General Government											
Number of Senior Citizen Taxi Program											
Tickets Sold	29,077	34,766	32,976	32,073	31,108	30,234	30,706	30,306	27,095	21,336	
Number of building inspections	1,346	881	**	**	**	**	**	**	**	**	
Public Safety											
Total Police Incidents	26,016	26,654	36,841	33,621	27,085	26,149	24,114	23,878	23,237	23,193	
Officer initiated	10,366	11,149	22,869	19,893	12,283	10,476	9,335	9,160	13,205	13,097	
Calls for police services	15,650	15,505	13,972	13,728	14,802	15,673	14,779	14,718	10,032	10,096	
Number of traffic stops	5,602	5,196	8,177	6,397	4,778	4,932	5,113	4,227	6,596	6,699	
Highways and streets											
Estimated miles of streets swept	10,242	5,000	6,800	5,237	6,200	4,964	3,205	3,301	3,541	3,486	
Cultural and recreation											
Number of library items checked out	98,072	100,886	102,527	100,412	86,997	84,388	83,791	82,195	80,327	67,243	
Number of library patrons	8,984	10,245	10,217	8,773	9,565	10,462	11,064	12,700	9,279	10,447	
Business-type activities											
Water											
Number of accounts	4,362	4,411	4,495	4,543	4,707	4,751	4,801	4,828	4,912	5,001	
Annual consumption (in billions of gallons)	2,324	3,911	3,513	3,729	3,377	2,605	2,900	3,529	2,638	3,261	
Sewer											
Number of accounts	4,494	4,314	4,604	4,428	4,449	4,504	4,540	4,585	4,665	4,736	
Electricity											
Number of accounts	5,232	5,230	5,266	5,296	5,263	5,291	5,337	5,171	5,189	5,277	
KWH sold	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	105,355,391	

Notes:

Source: City Departments

** No longer Tracking information

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	17	16	13	11	12	15	13	11	10	10
Bus	1	1	0	0	0	0	0	0	0	0
Motorcycles	2	2	2	2	2	2	2	1	1	1
Highways and streets										
Streets (miles)	60	60	60	62	62	62	64	64	73	73
Culture and recreation										
Library Collections:										
Printed materials	37140	36305	34121	34973	35578	35714	34716	33361	33457	35229
Audio materials	1081	2054	2607	1665	1813	1768	1547	1610	1670	1765
Video materials	1339	1618	1759	1707	1961	1734	1725	1782	1733	2082
Electronic materials	3451	3451	3451	3451	3412	3451	3451	3452	3452	32984
Business-type activities										
Water										
Miles of city water line	66	66	68	69	69	69	76	76	77	77
Miles of regional water system water line	14	14	14	14	14	14	14	2	17	14
City wells	6	6	6	6	6	6	6	5	5	5
Sewer										
Storm water pump stations	*	*	*	*	*	3	3	3	3	3
sewage pump stations	8	8	8	8	8	8	8	8	9	9
Clarifiers/sludge storage	4	4	4	4	4	4	4	4	4	5
Gravity thickeners	2	2	2	1	1	1	1	1	1	0
Electric										
Miles of overhead line	37	37	37	37	37	37	37	37	37	158
Miles of underground line	25	25	26	27	28	28	28	28	28	28
Transformers	1600	1643	1667	1321	1381	1397	1359	1415	1435	1834

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

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

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Budgeted 2017
Revenues					
Taxes	4,693,587	4,716,922	4,917,591	5,021,221	5,201,800
Licenses & Franchises	731,083	780,235	787,034	822,166	851,100
Fines & Penalties	491,139	466,587	583,178	583,006	570,000
Use of City Money	72,367	127,562	42,077	45,719	50,000
From Other Agencies	417,782	516,821	499,937	442,492	499,400
Service Charges	1,133,274	1,569,118	1,659,546	1,455,283	1,423,600
Non-Revenue Receipts	38,440	28,717	-	89,334	1,070,500
Miscellaneous Revenues	331,340	120,851	134,855	105,912	87,000
Interfund Transfers	-	-	-	710,651	518,725
Interfund Loan Proceeds	-	-	-	55,000	115,000
Cash Forward	5,426,632	4,696,398	4,611,338	4,813,537	4,800,000
Total Revenues	13,335,644	13,023,211	13,235,556	14,144,321	15,187,125
Expenditures					
City Council	29,081	30,242	21,893	30,797	45,719
Manager/Planning	252,151	269,980	331,667	403,542	438,624
Finance	62,624	63,624	51,753	53,195	79,295
Legal Counsel	238,090	252,564	183,697	188,271	83,700
Court	205,917	213,004	224,058	245,564	413,186
Transportation	130,426	180,749	159,853	132,586	248,300
Airport	219,494	287,296	198,687	203,558	252,450
Building Inspections	313,420	320,640	323,763	337,484	355,617
Parks	501,717	480,484	433,530	452,403	490,819
Parks/Utility Landscaping	-	-	-	24,622	39,475
Municipal Pool	386,196	359,787	387,450	376,766	433,333
Municipal Buildings	18,261	10,582	10,740	10,166	18,500
Library	555,157	573,281	593,812	642,882	734,775
Recreation	402,904	382,704	416,732	507,756	565,808
Conference Center	88,231	87,015	90,900	-	-
Public Safety Center	49,727	120,677	81,042	104,056	82,000
Police Operations	3,160,236	3,376,363	3,959,634	4,149,418	4,434,616
Non-departmental	2,032,081	1,487,573	1,040,575	1,682,205	6,470,908
Interfund Loan	-	-	165,000	90,000	-
Total Expenditures	8,645,713	8,496,565	8,674,786	9,635,271	15,187,125

**City of Hermiston
Water Operating Information**

AVERAGE NUMBER OF CUSTOMERS

Year	Residential	Commercial	Total
2016	4,531	390	4,921
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

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

Year	Total
2016	3,261
2015	2,638
2014	2,679
2013	1,473
2012	1,444
2011	2,140
2010	2,127
2009	1,905

LARGEST CUSTOMERS OF THE WATER SYSTEM 2016

Customer	Industry	⁽¹⁾ Total Gallons	Percent of Total Consumption	Annual Water Revenue	⁽²⁾ Percent of Total Operating
Hermiston Foods-Norpac	Food Processing	115,047,200	7.38%	119,584	4.03%
Village Park Graceland Holdings	Mobile Home Park	24,591,100	1.58%	26,752	0.90%
Good Shepherd	Medical	11,357,100	0.73%	12,459	0.42%
Uma. Co. 4th Street Aspens	Apartments	9,050,500	0.58%	16,935	0.57%
Viewcrest Apts	Apartments	8,623,600	0.55%	21,167	0.71%
Chateaubri Park	Mobile Home Park	8,613,400	0.55%	21,492	0.73%
Able Farms RV Park	RV Park	7,945,300	0.51%	8,774	0.30%
Pioneer RV Park	RV Park	7,595,500	0.49%	8,396	0.28%
Sundial Apartments	Apartments	7,354,800	0.47%	20,277	0.68%
Uma Co. Foxwood Homes	Apartments	6,567,900	0.42%	17,936	0.61%
		206,746,400	13.26%	273,772	9.75%

⁽¹⁾ Consumption in gallons, rounded to nearest hundred, based on 2015 water consumption. Total consumption for 2016 was 1,538,779,650.

⁽²⁾ Based on 2016 audited Water System total operating revenue of **\$2,963,822**.

⁽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						RECENT HISTORICAL water RATE CHANGES		
	07/01/09	07/01/10	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16		
First 3,000 gallons (minimum charge)	13.44	14.65	15.24	15.85	16.48	17.14	17.14	2010	9%
Each 1,000 gal over 3,000 up to and including 13,000 gal	1.02	1.11	1.15	1.20	1.25	1.30	1.30	2014	8%
Each 1,000 gallons over 13,000 gallons	0.84	0.92	0.96	1.00	1.03	1.08	1.08	2015	8%

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

Year	Residential	Commercial	Total
2016	4,346	390	4,736
2015	4,276	389	4,665
2014	4,201	384	4,585
2013	4,159	381	4,540
2012	4,121	383	4,504
2011	4,068	381	4,449
2010	4,050	378	4,428
2009	4,227	377	4,604

LARGEST CUSTOMERS OF THE SEWER SYSTEM 2016

Customer	Industry	⁽¹⁾ Total Gallons	Percent of Total Consumption	Annual Water Revenue	⁽²⁾ Percent of Total Operating Revenue
Good Shepherd	Medical	10,162,400	6.97%	14,994	0.68%
Emeritus Corp	Assisted Living	5,041,900	3.46%	6,784	0.31%
Regency Pacific Management	Assisted Living	4,892,600	3.35%	6,590	0.30%
Walmart Distribution	Commercial	4,801,900	3.29%	6,916	0.31%
Fiesta Foods	Retail	3,626,400	2.49%	4,944	0.22%
Panda Inn	Restaurant	3,347,300	2.29%	5,088	0.23%
Good Shepherd Medical Group	Medical	3,025,600	2.07%	4,163	0.19%
Safeway Stores	Retail	2,888,800	1.98%	4,369	0.20%
Five Star Auto Wash	Car Wash	2,873,900	1.97%	3,966	0.18%
Uma. Co. Fair		2,692,800	1.85%	3,730	0.17%
		43,353,600	29.72%	61,544	2.90%

⁽¹⁾ Consumption in gallons, rounded to nearest hundred, based on 2016 water consumption. Total consumption for 2016 was 145,860,200.

⁽²⁾ Based on 2016 audited Sewer System total operating revenue of **\$2,220,800**.

City of Hermiston
Sewer Rates and Charges

Consumption	Sewer Rates Effective as of							HISTORICAL SEWER RATE CHANGES	
	07/01/09	07/01/10	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	Year	Sewer
Dwelling units - monthly flat rate	18.48	20.14	20.95	21.78	22.65	23.56	23.56	2010	9%
Motel units - per-month unit charge	11.73	12.79	13.30	13.83	14.39	14.96	14.96	2014	8%
Commercial - base rate for first 5,000 gallons	20.12	21.93	22.81	23.72	24.67	25.65	25.65	2015	8%
Plus: per 1,000 gallons of water thereafter	1.02	1.11	1.15	1.20	1.25	1.30	1.30		

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

	<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>	
Real Market Value (RMV)	933,357,294		941,918,787		935,091,901		986,977,008		1,033,085,828	
Estimated Population	16,865		16,995		17,240		17,520		17,520	
Per Capita RMV	55,343		55,423		54,240		56,334		58,966	
	Gross Direct	Net Direct	Gross Direct	Net Direct	Gross Direct	Net Direct	Gross Direct	Net Direct	Gross Direct Debt	Net Direct
<u>Debt Information</u>	<u>Debt ⁽¹⁾</u>	<u>Debt ⁽²⁾</u>	<u>Debt ⁽¹⁾</u>	<u>Debt ⁽²⁾</u>	<u>Debt ⁽¹⁾</u>	<u>Debt ⁽²⁾</u>	<u>Debt ⁽¹⁾</u>	<u>Debt ⁽²⁾</u>	<u>Debt ⁽¹⁾</u>	<u>Debt ⁽²⁾</u>
City Direct Debt	6,495,000	-	6,235,000	-	5,875,000	-	5,545,000	-	5,210,000	-
Overlapping Direct Debt	57,036,166	54,365,990	53,258,752	50,810,282	47,326,026	45,126,750	45,572,866	43,373,919	44,877,836	42,726,987
Total Direct Debt	<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>	<u>50,087,836</u>	<u>42,726,987</u>
<u>Bonded Debt Ratios</u>										
City Direct Debt to RMV	0.70%	0.00%	0.66%	0.00%	0.63%	0.00%	0.56%	0.00%	0.50%	0.00%
Total Direct Debt to RMV	6.81%	5.82%	6.32%	5.39%	5.69%	4.83%	5.18%	4.39%	4.85%	4.14%
Per Capita City Direct Debt	\$385	\$0	\$367	\$0	\$341	\$0	\$316	\$0	\$297	\$0
Per Capita Total Direct Debt	\$3,767	\$3,224	\$3,501	\$2,990	\$3,086	\$2,618	\$2,918	\$2,476	\$2,859	\$2,439

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

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

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

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	7,052,119,258	14.65%	1,980,679	205,916
Umatilla County School District #8 (Hermiston)	2,339,333,588	41.78%	39,080,324	39,080,324
Umatilla County School District #61 (Stanfield)	372,311,402	14.96%	627,494	627,494
Port of Umatilla	7,052,119,258	14.65%	110,979	110,979
Blue Mountain Community College	11,897,279,292	8.68%	2,702,274	2,702,274
Umatilla-Morrow ESD	14,317,118,479	7.22%	376,086	-
	<u>43,030,281,277</u>		<u>44,877,836</u>	<u>42,726,987</u>
City of Hermiston	1,033,085,828			

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

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

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

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	6,737,612,703	14.65%	2,186,427	347,270
Umatilla County School District #8 (Hermiston)	2,229,141,187	41.40%	41,328,622	41,328,622
Umatilla County School District #61 (Stanfield)	409,861,270	15.66%	748,988	748,988
Port of Umatilla	6,737,612,703	14.65%	91,639	91,639
Blue Mountain Community College	10,947,328,193	9.02%	847,025	847,025
Umatilla-Morrow ESD	13,290,864,481	7.43%	359,790	-
West Umatilla Vector Control District	3,329,619,177	29.64%	10,375	10,375
	<u>43,682,039,714</u>		<u>45,572,866</u>	<u>43,373,919</u>
City of Hermiston	986,977,008			

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

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

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

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

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

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

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

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
Umatilla County	6,018,806,406	15.89%	2,721,163	618,121
Umatilla County School District #8 (Hermiston)	2,130,255,885	43.98%	47,946,452	47,946,452
Umatilla County School District #61 (Stanfield)	365,091,943	17.47%	1,032,190	1,032,190
Blue Mountain Community College	10,392,223,165	10.18%	1,195,132	1,195,132
Umatilla-Morrow ESD	12,613,864,637	8.25%	345,429	-
West Umatilla Vector Control District	3,159,360,983	33.43%	18,387	18,387
	<u>34,679,603,019</u>		<u>53,258,752</u>	<u>50,810,282</u>
City of Hermiston	941,918,800			

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

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

City of Hermiston
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	933,357,300			

(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
12/30/15	27,682,700	38,396,800	10,714,100	72%	5,594,300	192%
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 Regulations

We have audited the basic financial statements of the City of Hermiston as of and for the year ended June 30, 2016, and have issued our report thereon dated January 27, 2017. 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, 2016:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General	Legal	\$571
General	Non-departmental	\$9,396
Municipal court	Transfers out	\$5,296
Miscellaneous special revenue	Special payments	\$1,151
Conference center fund	Materials and services	\$102
Bonded debt	Debt service	\$162,836
Utility fund	Transfers out	\$162,842

In our review of the 2015-16 and 2016-17 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.

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 the Schedule of Findings and Responses in the separate Single Audit reporting package.

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



January 27, 2017