

# CITY OF HERMISTON, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2017



*Where Life is Sweet*



Prepared by:  
The City of Hermiston  
Finance Department



*Where Life is Sweet*

**CITY OF HERMISTON, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2017**

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# **INTRODUCTORY SECTION**

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Where Life is Sweet

# City of Hermiston

## Administrative Offices

180 NE 2<sup>nd</sup> Street  
Hermiston, OR 97838

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

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December 29, 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, 2017, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

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

### CITY PROFILE

Hermiston is a progressive, growth oriented urban center for an area based economically on transportation/logistics, agriculture, food processing and other light industry. Hermiston is located in west Umatilla County in northeast Oregon, less than a day's drive from major markets such as Portland,



Spokane, Seattle and Boise, 35 miles south of the Tri-Cities, Washington, and six miles south of the Columbia River. The city covers approximately 4,500 acres.

Hermiston is the merging point for two interstate highways, I-82 (north-south) and I-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns 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 12 permanent part-time employees. In the 1960s, the voters approved the council-manager form of government. The eight councilors, mayor and a municipal judge are elected, and the council hires a city manager as its administrator.

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

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

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

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

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

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

### **ECONOMIC CONDITIONS AND OUTLOOK**

A labor market economist for the State of Oregon speaks of Hermiston as "one of the most desirable sites for industrial development in the Pacific Northwest" because of its low land costs, large inventory of industrially zoned land, reasonable local taxes and excellent access to transportation routes. The citizens and government of Hermiston boast a progressive, growth oriented philosophy that encourages new businesses to locate here. There are approximately 37,000 people living within 10 miles of downtown Hermiston, and there are more than 120,000 people employed within a 30 mile radius of the city. The State of Oregon's certified 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. DuPont /Pioneer HiBred Seed has been aggressively investing in Hermiston since 2009. Pioneer initially built a \$35 million processing facility in 2009, which was immediately followed by the development of their North American Research and Development Center in Hermiston in 2010. DuPont-Pioneer announced another combined \$35 million worth of investments in 2013 which will double the capacity of the facilities as the phases are built-out over several years. The raw commodities required by 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 along with other regional and local events. That new complex is called the Eastern Oregon Trade and Event Center (EOTEC). The first phase opened in 2016. Additional facilities including a commons area and rodeo grounds were completed in 2017 in time to host the 2017 annual fair and rodeo.

Hermiston School District has five elementary schools, two middle schools, one senior high school, one alternative school, and one ESD office. With nearly 5,500 students, it is the largest school district in Eastern Oregon, and with 519 employees, the fifth largest employer in Hermiston. The School District completed a \$5 million replacement of the high school football stadium in 2013. The facility has generated a positive economic impact to Hermiston because it is the only facility in eastern Oregon which meets the requirements to host state-level football, soccer, lacrosse, and track & field tournaments. Additionally, Blue Mountain Community College, 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. A \$1.5 million feed mill operates 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, Union Pacific Railroad, Portland General Electric and the State of Oregon. 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. Two State prisons in the region are also significant to the regional economy.

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

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

The City has the following ongoing commitments and construction contracts:

1. Harkenrider Senior Center – In 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 Spring of 2018. In June 2016, the City added \$750,000 to the project for a basement and elevator. As of October 1, 2017, the City has incurred \$1,172,637 on design, survey, appraisals, and construction costs. Construction is expected to be finished in the spring of 2018.
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. GIS mapping of all the facilities at the Airport is completed.
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. The barns and rodeo grounds was completed in July 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 11<sup>th</sup> & 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 11<sup>th</sup> as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11<sup>th</sup>. The project will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11<sup>th</sup> 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 2018. The City has expended \$15,000 to date on right-of-way costs.
5. West Highland Trail project is to create a bike lane and/or separated trail on the south side of West Highland Avenue between SW 11<sup>th</sup> and Riverfront Park. The bike lane will be striped where there are existing sidewalks on the Southside of West Highland and a separate path will be built where there are no existing curbs or sidewalks. This project is funded by a grant from ODOT.

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, 2016. 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,

A handwritten signature in black ink that reads "Byron Smith". The signature is written in a cursive style with a large initial 'B' and 'S'.

---

Byron Smith  
City Manager and Treasurer



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, 2016**

*Christopher P. Morill*

Executive Director/CEO

**CITY OF HERMISTON, OREGON**

**List of Principal Officials**

**June 30, 2017**

**ELECTED OFFICIALS**

	<u>Term Expires</u>
Mayor:	
Dr. David Drotzmann	December 31, 2020
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, 2020
Rod S. Hardin	December 31, 2020
John Kirwan	December 31, 2020
Doug Primmer	December 31, 2020
Municipal Judge:	
Thomas J. Creasing	December 31, 2018

**APPOINTED OFFICIALS**

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

**OFFICIAL ADDRESS**

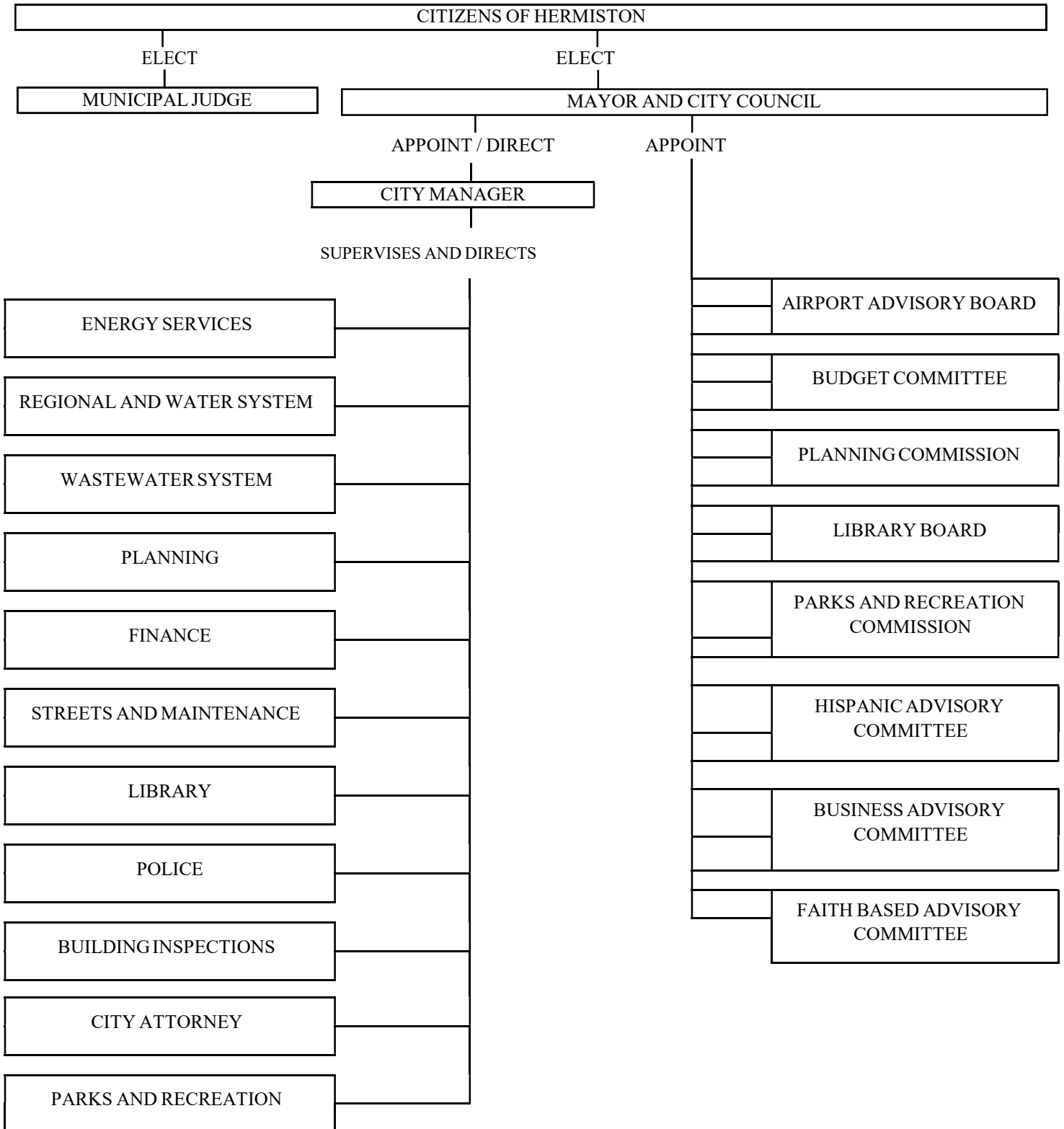
180 N.E. Second Street  
Hermiston, OR 97838  
Telephone: 541-567-5521  
Fax: 541-567-5530



**CITY OF HERMISTON, OREGON**

**Organizational Chart**

**June 30, 2017**





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# FINANCIAL SECTION

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

495 E. Main  
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(541) 567-0497 Fax

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

**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Hermiston, Oregon

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of and for the year ended June 30, 2017, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of June 30, 2017, 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 Combined General Fund and State Tax Street Fund, The Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions, and the Notes to Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hermiston, Oregon’s basic financial statements. The introductory section, supplemental information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Reports on Other Legal and Regulatory Requirements**

*Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of City of Hermiston, Oregon’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 29, 2017, on our consideration of City of Hermiston, Oregon’s compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.



By: \_\_\_\_\_  
Richard L. Stoddard, Shareholder  
December 29, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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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, 2017. 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 \$119.6 million at June 30, 2017 consisting of approximately \$25.2 million in cash and investments, \$76.3 million in capital assets and \$18.1 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$13.2 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$67.7 million at June 30, 2017, consisting of \$61.6 million in non-current liabilities, \$5.3 million in current liabilities, and \$848 thousand in deferred inflows related to pensions. Total liabilities and deferred inflows of resources increased by \$15.3 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 2017 by \$51.8 million (*net position*). Of this amount \$16.2 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors. The remainder of the City's net position includes approximately \$33 million invested in capital assets net of related debt, and \$2.6 million restricted for specific purposes.
- For its governmental activities the City generated \$2.3 million in Charges for Services and \$2.6 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$12.4 million for the year resulting in a net expense of \$7.6 million. After an additional \$6.9 million in general revenues and \$0.4 million in transfers in, governmental activities resulted in a \$0.3 million decrease in net position.
- For its business-type activities the City generated \$14.5 million in Charges for Services to fund direct expenses of \$16.2 million resulting in a net expense of \$1.6 million. After other general revenues and transfers out of \$0.4 million net position from business-type activities decreased by \$2.0 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.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

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

Net Position at Year-End  
(in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>						
Cash and investments	\$ 13,628	\$ 12,298	\$ 11,540	\$ 6,726	\$ 25,168	\$ 19,024
Other assets	10,648	9,337	1,488	1,789	12,136	11,126
Capital assets	16,324	15,781	59,934	59,129	76,258	74,910
Total assets	<u>40,600</u>	<u>37,416</u>	<u>72,962</u>	<u>67,644</u>	<u>113,562</u>	<u>105,060</u>
Deferred outflows:	<u>4,165</u>	<u>911</u>	<u>1,842</u>	<u>435</u>	<u>6,007</u>	<u>1,346</u>
<b>Liabilities:</b>						
Current liabilities	1,983	2,401	3,283	3,046	5,266	5,447
Noncurrent liabilities	15,919	8,604	45,713	37,237	61,632	45,841
Total liabilities	<u>17,902</u>	<u>11,005</u>	<u>48,996</u>	<u>40,283</u>	<u>66,898</u>	<u>51,288</u>
Deferred inflows:	<u>610</u>	<u>790</u>	<u>238</u>	<u>379</u>	<u>848</u>	<u>1,169</u>
<b>Net Position:</b>						
Net investment in capital assets	13,373	12,617	21,734	21,720	32,983	31,963
Restricted	2,646	2,211	-	-	2,646	2,211
Unrestricted	<u>10,234</u>	<u>11,705</u>	<u>3,835</u>	<u>5,698</u>	<u>16,193</u>	<u>19,777</u>
Total Net Position	<u>\$ 26,253</u>	<u>\$ 26,533</u>	<u>\$ 25,569</u>	<u>\$ 27,418</u>	<u>\$ 51,822</u>	<u>\$ 53,951</u>

Over half of the City's net position (64% 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, \$2.1 million in bonds payable reported in the total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Analysis of Changes in Net Position:**

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

Governmental and Proprietary Activities						
Year Ending June 30,						
(in thousands)						
	<i>Governmental</i>		<i>Business-Type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for service	\$ 2,289	\$ 2,532	\$ 14,536	\$ 13,988	\$ 16,825	\$16,520
Operating grants and contributions	1,723	1,622	-	-	1,723	1,622
Capital grants and contributions	836	8,621	-	1,639	836	10,260
<b>General Revenues</b>						
Taxes	6,661	6,297	-	-	6,661	6,297
Interest	54	85	21	57	75	142
Change in joint venture net position	-	-	-	-	-	-
Other	204	113	-	119	204	232
<b>Total Revenues</b>	<b>11,767</b>	<b>19,270</b>	<b>14,557</b>	<b>15,803</b>	<b>26,324</b>	<b>35,073</b>
<b>Expenses</b>						
General government	2,872	3,163	-	-	2,872	3,163
Public safety	5,309	6,246	-	-	5,309	6,246
Highways and streets	1,119	1,334	-	-	1,119	1,334
Cultural and recreation	2,626	4,850	-	-	2,626	4,850
Interest on long-term debt	174	159	-	-	174	159
Economic development	310	83	-	-	310	83
Water	-	-	3,766	3,637	3,766	3,637
Sewer	-	-	4,538	3,461	4,538	3,461
Electricity	-	-	7,864	7,664	7,864	7,664
<b>Total Expenses</b>	<b>12,410</b>	<b>15,835</b>	<b>16,168</b>	<b>14,762</b>	<b>28,578</b>	<b>30,597</b>
Change in net position before	(643)	3,435	(1,611)	1,041	(2,254)	4,476
Transfers	363	(405)	(363)	405	-	-
Change in net position	(280)	3,030	(1,974)	1,446	(2,254)	4,476
Net position - beginning	26,533	23,462	27,418	25,062	53,951	48,524
Prior period adjustment	-	41	125	910	125	951
Beginning net position, restated	26,533	23,503	27,543	25,972	54,076	49,475
Net position - ending	<u>\$ 26,253</u>	<u>\$ 26,533</u>	<u>\$ 25,569</u>	<u>\$ 27,418</u>	<u>\$ 51,822</u>	<u>\$ 53,951</u>

**Governmental Activities.** Net position for governmental activities decreased \$0.3 million resulting from \$11.7 million in total revenues offset by \$12.4 million in expenditures and \$0.4 million in transfers in. Total revenues decreased \$7.6 million, the bulk of which was due to an decrease of \$7.8 million in capital grants and contributions offset by an increase in taxes of \$0.4 million. In the prior year, the City recognized \$2.8 million of grant revenue for improvements at the City's municipal airport, \$3.6 million in grant revenue for the Eastern Oregon Trade and Event Center (EOTEC), a \$1.2 million increase in joint venture, and donated capital assets of \$0.5 million, which were mostly completed in the prior fiscal year.

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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Governmental expenditures decreased \$3.4 million in 2016-17 compared to 2015-16. This was a result of several factors. In the prior year, the City recognized \$1.8 million in Culture and Recreation expenditures related to its capital investment in the EOTEC and recognized \$2.8 million of pension expenses for the second year of implementation of GASB 68. The current year effect of these activities was an increase in the investment in joint venture of \$1.8 million (including \$2.2 million additional investment by the City) and pension expense adjustment of only \$0.7 million. The effects of GASB 68 implementation are further explained in the Notes to the Financial Statement.

**Business-type activities.** Net position for business activities decreased \$2.0 million during the current fiscal year. Revenues increased \$458,000 in Electricity Operations due to an unusually cold winter and an increase in KWH sold. Water and Sewer revenues were up \$90,000 due to rate increases, which was partially offset by a decrease in consumption. Electricity expenditures were up \$200,000 mainly due to increased costs for purchasing power and higher payments in lieu of taxes resulting from the increased revenues. Water and Sewer expenses increased \$1.2 million, which was mainly due to costs to empty the sewer lagoon less a decrease in pension expenses for the third year of implementation of GASB 68.

### **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, 2017, the City's governmental funds reported a combined ending fund balance of \$13.5 million compared to prior year's balance of \$12.2 million. The majority of the increase resulted from issuance of debt and bond premium of \$3.7 million. Unassigned fund balance as of June 30, 2017, was \$3.8 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, 2017, the total fund balance was \$4.1 million, of which \$3.9 million is considered unassigned, reflecting a decrease of approximately \$622,000 from the prior year. Expenditures in the general fund decreased \$90,000 from the prior year, which was mainly due to a decrease in capital costs of about \$635,000 offset by increases in cost for personnel, the City's bus program, dispatch services, and other contractual services. Revenues increased about \$132,000, which was mainly due to an increase in property tax revenues. Total fund balance decreased \$606,000 compared to a decrease in fund balance of \$270,000 in the prior year.

Other major governmental funds include the State Tax Street Fund, Reserve Fund, and the 2017 FF&C TPA Fund. The fund balance in the State Tax Reserve Fund increased by \$102,000 primarily due to reduced transfers to the Reserve Fund for street maintenance projects. The Reserve Fund increased its fund balance by \$7,000 due to transfers in that exceeded capital costs for the current year and a reduction in both grant revenue and capital outlay related to airport improvements. The 2017 FF&C TPA Fund activity consisted of issuing bonds and debt premium of about \$2.2 million, which was used to pay debt issuance costs and to fund additional EOTEC construction costs.

**CITY OF HERMISTON, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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**General Fund Budgetary Highlights**

The City adopted three supplemental budgets, only one of which affected the General Fund, increasing appropriations by \$36,750 and increasing the unappropriated fund balance by \$339,237. The largest part of the change was to increase the reserve for future expenditures for transfers in from the Miscellaneous Special Revenue Fund and and Recreation Reserve Fund.

General Fund revenues were under budgeted expectations by \$37,000, which was mainly due to property taxes and fines and forfeitures, patially offset by intergovernmental and miscellaneous income. Issuance of debt was budgeted for \$1.0 million, but no debt was issued in this fund. Actual expenditures of the General Fund were \$5.0 million less than budgeted. The majority of this difference was in capital outlay and contingency.

**Capital Assets**

The City had \$76.3 million in capital assets net of depreciation at June 30, 2017 allocated as follows:

Net Capital Assets  
(in thousands)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Land and easements	\$ 2,442	\$ 2,426	\$ 1,086	\$ 1,086	\$ 3,528	\$ 3,512
Construction in progress	968	3,403	1,776	2,584	2,744	5,987
Buildings and systems	8,347	5,202	56,826	55,328	65,173	60,530
Machinery, equipment	422	343	245	131	667	474
Street system	4,145	4,406	-	-	4,145	4,406
<b>Total capital assets</b>	<b>\$ 16,324</b>	<b>\$ 15,780</b>	<b>\$ 59,933</b>	<b>\$ 59,129</b>	<b>\$ 76,257</b>	<b>\$ 74,909</b>

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

**Debt Administration**

At year end, the City had \$53.7 million in long term debt outstanding compared to \$43.2 million last year. The City repaid approximately \$1.8 million of long term debt during the year and refinanced \$11.5 million of electric revenue bonds. The City issued bonds and the related bond premium of \$23.4 million for Urban Renewal, EOTEC improvements, Water improvements, Electric improvements, and to refund the electric revenue bonds. 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

**CITY OF HERMISTON, OREGON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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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 \$212,000 in 2017-18. This decrease results from a budget decrease in General Fund contingency of \$1.9 million and capital outlay of \$1.0 million, along with a budgeted decrease in Sewer expenses for costs not expected to recur to empty the lagoon of \$1.4 million and a net decrease in debt service/transfers of about \$0.5 million. The Miscellaneous Special Revenue Fund budgeted to return about \$400,000 of insurance reserves back to various funds and the City has budgeted to spend the remaining bond proceeds from debt issued in 2016-17. The City also established a new Revenue Bonds Debt Service Fund financed by transfers from the enterprise funds and increased transfers to the Bonded Debt Fund to finance bond repayments on bonds. The City includes amounts for the expected ending fund balance in each fund. Some of this is reflected in the Unappropriated Balance line item and some is reflected in the Reserve for Future Expenditure line item. The Unappropriated Balance allows the City a cash or working capital balance with which to begin the fiscal year following the current year. The City budgeted an unappropriated balance of \$2.3 million compared to \$3.9 million in the prior year. Reserves for Future Expenditure are intended to be saved for use in future fiscal years. This allows the City to accumulate funds for capital purchases or projects which need to be built up over multiple years. The adopted 2017-18 budget also includes a separate allocation for contingency.

**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: Finance Department, City of Hermiston, 180 N.E. Second Street, Hermiston, OR 97838.

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF HERMISTON, OREGON**  
**STATEMENT OF NET POSITION**

**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,321,099	\$ 3,047,444	\$ 10,368,543
Investments	4,738,122	2,225,255	6,963,377
Restricted cash and cash equivalents	69,802	187,703	257,505
Receivables:			
Property taxes	335,845	-	335,845
Accounts, net	1,099,703	1,455,173	2,554,876
Prepaid items	90,882	32,800	123,682
Inventories	25,480	-	25,480
Total current assets	<u>13,680,933</u>	<u>6,948,375</u>	<u>20,629,308</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,498,987	6,079,807	7,578,794
Investment in joint venture	9,096,389	-	9,096,389
Capital assets:			
Nondepreciable	3,409,832	2,862,279	6,272,111
Depreciable, net	<u>12,914,262</u>	<u>57,071,242</u>	<u>69,985,504</u>
Total noncurrent assets	<u>26,919,470</u>	<u>66,013,328</u>	<u>92,932,798</u>
Total assets	<u>40,600,403</u>	<u>72,961,703</u>	<u>113,562,106</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	4,164,952	1,627,627	5,792,579
Deferred amounts on refunding	-	214,551	214,551
Total deferred outflows of resources	<u>4,164,952</u>	<u>1,842,178</u>	<u>6,007,130</u>
Total assets and deferred outflows of resources	<u>\$ 44,765,355</u>	<u>\$ 74,803,881</u>	<u>\$ 119,569,236</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 982,576	\$ 870,227	\$ 1,852,803
Retainage payable	93,246	-	93,246
Accrued interest payable	61,390	226,247	287,637
Deposits	69,802	185,100	254,902
Unearned revenue	-	167,796	167,796
Current portion of long-term debt	<u>776,136</u>	<u>1,833,327</u>	<u>2,609,463</u>
Total current liabilities	<u>1,983,150</u>	<u>3,282,697</u>	<u>5,265,847</u>
Noncurrent liabilities:			
Net pension liability	7,594,992	2,968,055	10,563,047
Noncurrent portion of long-term debt	<u>8,323,927</u>	<u>42,745,611</u>	<u>51,069,538</u>
Total noncurrent liabilities	<u>15,918,919</u>	<u>45,713,666</u>	<u>61,632,585</u>
Total liabilities	<u>17,902,069</u>	<u>48,996,363</u>	<u>66,898,432</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	<u>610,017</u>	<u>238,389</u>	<u>848,406</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,373,217	21,734,246	32,983,167
Restricted for:			
Debt service	181,868	-	181,868
Culture and recreation	342,380	-	342,380
Highways and streets	1,113,263	-	1,113,263
Public safety	54,537	-	54,537
Economic development	446,030	-	446,030
System development	507,641	-	507,641
Unrestricted	<u>10,234,333</u>	<u>3,834,883</u>	<u>16,193,512</u>
Total net position	<u>26,253,269</u>	<u>25,569,129</u>	<u>51,822,398</u>
Total liabilities, deferred inflows, and net position	<u>\$ 44,765,355</u>	<u>\$ 74,803,881</u>	<u>\$ 119,569,236</u>

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



**CITY OF HERMISTON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 2,871,501	\$ 644,829	\$ 570,769	\$ 528,015	\$ (1,127,888)	\$ -	\$ (1,127,888)
Public safety	5,309,128	776,501	50,702	-	(4,481,925)	-	(4,481,925)
Highways and streets	1,119,273	-	1,055,258	180,475	116,460	-	116,460
Culture and recreation	2,625,972	578,159	36,600	52,186	(1,959,027)	-	(1,959,027)
Economic development	309,524	289,107	10,000	75,061	64,644	-	64,644
Interest on long-term obligations	174,004	-	-	-	(174,004)	-	(174,004)
<b>Total governmental activities</b>	<b>12,409,402</b>	<b>2,288,596</b>	<b>1,723,329</b>	<b>835,737</b>	<b>(7,561,740)</b>	<b>-</b>	<b>(7,561,740)</b>
<b>Business-type activities:</b>							
Water	3,765,539	3,528,905	-	-	-	(236,634)	(236,634)
Sewer	4,538,393	2,424,033	-	-	-	(2,114,360)	(2,114,360)
Electricity	7,863,889	8,582,818	-	-	-	718,929	718,929
<b>Total business-type activities</b>	<b>16,167,821</b>	<b>14,535,756</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,632,065)</b>	<b>(1,632,065)</b>
<b>Total primary government</b>	<b>\$28,577,223</b>	<b>\$16,824,352</b>	<b>\$1,723,329</b>	<b>\$ 835,737</b>	<b>(7,561,740)</b>	<b>(1,632,065)</b>	<b>(9,193,805)</b>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					5,197,759	-	5,197,759
Debt service					254,243	-	254,243
Franchise and transient room taxes					1,209,024	-	1,209,024
Interest and investment earnings					53,797	21,418	75,215
Miscellaneous					204,440	-	204,440
Transfers					363,202	(363,202)	-
<b>Total general revenues and transfers</b>					<b>7,282,465</b>	<b>(341,784)</b>	<b>6,940,681</b>
Change in net position					(279,275)	(1,973,849)	(2,253,124)
Net Position, beginning, as restated (see note IV.D)					26,532,544	27,542,978	54,075,522
Net Position, ending					<u>\$ 26,253,269</u>	<u>\$25,569,129</u>	<u>\$ 51,822,398</u>

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



*Where Life is Sweet*

## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **Combined General Fund**

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

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

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

#### **Reserve Fund**

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

#### **2017 FF&C TPA Fund**

The 2017 FF&C TPA Fund is used to account for loan proceeds used to help construct the Eastern Oregon Trade and Event Center.

**CITY OF HERMISTON, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	Combined General Fund	Street Tax Fund	Reserve Fund	2017 FF&C TPA Fund	Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,221,628	\$ 656,201	\$ 2,314,403	\$ 831	\$ 3,696,825	\$ 8,889,888
Investments	2,012,313	-	2,725,809	-	-	4,738,122
Receivables:						
Property taxes	317,098	-	-	-	18,747	335,845
Accounts, net	268,039	91,215	91,456	-	648,993	1,099,703
Advances to other funds	140,838	-	-	-	25,000	165,838
Prepaid items	-	-	-	-	1,334	1,334
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 4,959,916</u>	<u>\$ 747,416</u>	<u>\$ 5,131,668</u>	<u>\$ 831</u>	<u>\$ 4,390,899</u>	<u>\$ 15,230,730</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 544,628	\$ 3,709	\$ 39,662	\$ -	\$ 394,577	\$ 982,576
Deposits	9,786	-	-	-	60,016	69,802
Retainage payable	-	-	75,000	-	18,246	93,246
Advances from other funds	-	-	25,000	-	140,838	165,838
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>554,414</u>	<u>3,709</u>	<u>139,662</u>	<u>-</u>	<u>613,677</u>	<u>1,311,462</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	<u>302,731</u>	<u>-</u>	<u>39,109</u>	<u>-</u>	<u>103,842</u>	<u>445,682</u>
Total deferred inflows of resources	<u>302,731</u>	<u>-</u>	<u>39,109</u>	<u>-</u>	<u>103,842</u>	<u>445,682</u>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	140,838	-	-	-	26,334	167,172
Restricted	82,415	743,707	1,228,648	831	2,089,105	4,144,706
Committed	-	-	3,724,249	-	1,608,145	5,332,394
Assigned	-	-	-	-	42,051	42,051
Unassigned	<u>3,879,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,255)</u>	<u>3,787,263</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>4,102,771</u>	<u>743,707</u>	<u>4,952,897</u>	<u>831</u>	<u>3,673,380</u>	<u>13,473,586</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,959,916</u>	<u>\$ 747,416</u>	<u>\$ 5,131,668</u>	<u>\$ 831</u>	<u>\$ 4,390,899</u>	<u>\$ 15,230,730</u>

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

**CITY OF HERMISTON, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

<b>Fund balances - total governmental funds</b>	<b>\$ 13,473,586</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds	16,324,094
Net pension liability, and the related deferred outflows and inflows, are not current financial resources or requirements, and therefore, are not reported in the funds.	(4,040,057)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	445,682
Investments in joint venture are not available to pay for current period expenditures, and, therefore, are not reported in the funds.	9,096,389
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(336,106)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(61,390)
Long-term liabilities, including bonds and unamortized premiums, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	(8,763,957)
Prepaid insurance uses current financial resources and, therefore, is not reported in the funds.	89,548
Inventory uses current financial resources and, therefore, is not reported in the funds.	<u>25,480</u>
<b>Net position of governmental activities</b>	<b><u><u>\$ 26,253,269</u></u></b>

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	Combined General Fund	Street Tax Fund	Reserve Fund	2017 FF&C TPA Fund	Other Governmental Funds	Totals
<b>REVENUES</b>						
Property taxes	\$ 5,167,756	\$ -	\$ -	\$ -	\$ 288,568	\$ 5,456,324
Transient room taxes	-	-	-	-	782,067	782,067
Franchise fees	421,448	-	-	-	-	421,448
Licenses and fees	5,510	-	-	-	-	5,510
Charges for services	1,359,934	-	-	-	206,975	1,566,909
Intergovernmental	585,466	1,235,733	501,216	-	488,882	2,811,297
Fines and forfeitures	450,653	-	-	-	193,935	644,588
System development charges	-	-	46,689	-	-	46,689
Rental income	73,287	-	-	-	860	74,147
Contributions	1,500	-	-	-	17,909	19,409
Interest on investments	24,287	905	21,920	933	5,752	53,797
Miscellaneous	198,094	136	-	-	6,210	204,440
<b>TOTAL REVENUES</b>	<b>8,287,935</b>	<b>1,236,774</b>	<b>569,825</b>	<b>933</b>	<b>1,991,158</b>	<b>12,086,625</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,065,600	-	311,283	-	189,542	2,566,425
Public safety	4,738,664	-	-	-	46,965	4,785,629
Culture and recreation	2,012,015	-	-	-	190,442	2,202,457
Economic development	-	-	-	40,932	370,551	411,483
Highways and streets	-	660,187	-	-	-	660,187
Capital outlay	141,577	95,586	960,461	2,150,000	536,614	3,884,238
Debt service	-	-	-	-	511,590	511,590
<b>TOTAL EXPENDITURES</b>	<b>8,957,856</b>	<b>755,773</b>	<b>1,271,744</b>	<b>2,190,932</b>	<b>1,845,704</b>	<b>15,022,009</b>
<b>REVENUES OVER (UNDER) EXPENDITURE</b>	<b>(669,921)</b>	<b>481,001</b>	<b>(701,919)</b>	<b>(2,189,999)</b>	<b>145,454</b>	<b>(2,935,384)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	2,120,000	1,475,000	3,595,000
Bond premium	-	-	-	70,830	49,109	119,939
Transfers in	1,210,671	-	972,315	-	1,065,932	3,248,918
Transfers out	(1,147,030)	(378,802)	(263,000)	-	(922,753)	(2,711,585)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>63,641</b>	<b>(378,802)</b>	<b>709,315</b>	<b>2,190,830</b>	<b>1,667,288</b>	<b>4,252,272</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(606,280)</b>	<b>102,199</b>	<b>7,396</b>	<b>831</b>	<b>1,812,742</b>	<b>1,316,888</b>
<b>FUND BALANCE, Beginning</b>	<b>4,709,051</b>	<b>641,508</b>	<b>4,945,501</b>	<b>-</b>	<b>1,860,638</b>	<b>12,156,698</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 4,102,771</b>	<b>\$ 743,707</b>	<b>\$ 4,952,897</b>	<b>\$ 831</b>	<b>\$ 3,673,380</b>	<b>\$ 13,473,586</b>

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

**CITY OF HERMISTON, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2017**

<b>Net change in fund balance - governmental funds</b>		<b>\$ 1,316,888</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Unavailable revenues		40,542
<p>Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.</p>		
		358,003
<p>Issuance of debt and bond premium is a financial resource in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.</p>		
		(3,714,939)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:</p>		
Change in inventory		(11,091)
Change in prepaid insurance		11,248
Change in compensated absences		(4,579)
Change in accrued interest payable		(20,417)
Change in pension liability and related deferred outflows and inflows		(674,116)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:</p>		
Capital asset additions	\$ 1,538,775	
Depreciation expense	<u>(995,488)</u>	
		543,287
<p>Change in the equity interest in joint venture is reported as program revenue in the economic development function, net of additional investments in the activity.</p>		
		<u>1,875,899</u>
<b>Change in net position - governmental activities</b>		<b><u><u>\$ (279,275)</u></u></b>



*Where Life is Sweet*



## FUND FINANCIAL STATEMENTS

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### Proprietary Funds

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

#### **Electricity Operations**

##### **Hermiston Energy Services Fund**

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

##### **2016 FF&C Electric Fund**

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

#### **Utility Operations**

##### **Utility Fund**

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

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

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

#### **Regional Water Operations**

##### **Regional Water Fund**

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	<b>Business - type Activities - Enterprise Funds</b>			
	Electricity Operations	Utility Operations	Regional Water Operations	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,957,535	\$ 538,089	\$ 551,820	\$ 3,047,444
Investments	1,972,671	252,584	-	2,225,255
Restricted cash and cash equivalents	172,903	14,800	-	187,703
Receivables:				
Accounts, net	588,430	819,991	46,752	1,455,173
Prepaid items	<u>2,200</u>	<u>29,400</u>	<u>1,200</u>	<u>32,800</u>
Total current assets	<u>4,693,739</u>	<u>1,654,864</u>	<u>599,772</u>	<u>6,948,375</u>
Noncurrent assets:				
Restricted cash and cash equivalents	4,185,052	1,894,755	-	6,079,807
Capital assets, net	<u>11,766,644</u>	<u>41,629,076</u>	<u>6,537,801</u>	<u>59,933,521</u>
Total noncurrent assets	<u>15,951,696</u>	<u>43,523,831</u>	<u>6,537,801</u>	<u>66,013,328</u>
Total assets	<u>20,645,435</u>	<u>45,178,695</u>	<u>7,137,573</u>	<u>72,961,703</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	150,426	1,348,646	128,555	1,627,627
Deferred amounts on refunding	<u>214,551</u>	<u>-</u>	<u>-</u>	<u>214,551</u>
Total deferred outflows of resources	<u>364,977</u>	<u>1,348,646</u>	<u>128,555</u>	<u>1,842,178</u>
Total assets and deferred outflows of resources	<u>\$ 21,010,412</u>	<u>\$ 46,527,341</u>	<u>\$ 7,266,128</u>	<u>\$ 74,803,881</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 473,549	\$ 354,895	\$ 41,783	\$ 870,227
Accrued interest payable	40,043	186,204	-	226,247
Deposits	170,300	14,800	-	185,100
Unearned revenue	-	167,796	-	167,796
Current portion of long-term debt	<u>635,495</u>	<u>1,197,832</u>	<u>-</u>	<u>1,833,327</u>
Total current liabilities	1,319,387	1,921,527	41,783	3,282,697
Noncurrent liabilities:				
Net pension liability	274,309	2,459,322	234,424	2,968,055
Noncurrent portion of long-term debt	<u>15,772,173</u>	<u>26,973,438</u>	<u>-</u>	<u>42,745,611</u>
Total liabilities	<u>17,365,869</u>	<u>31,354,287</u>	<u>276,207</u>	<u>48,996,363</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	<u>22,032</u>	<u>197,528</u>	<u>18,829</u>	<u>238,389</u>
<b>NET POSITION</b>				
Net investment in capital assets	(241,421)	15,437,866	6,537,801	21,734,246
Unrestricted	<u>3,863,932</u>	<u>(462,340)</u>	<u>433,291</u>	<u>3,834,883</u>
Total net position	<u>3,622,511</u>	<u>14,975,526</u>	<u>6,971,092</u>	<u>25,569,129</u>
Total liabilities, deferred inflows, and net position	<u>\$ 21,010,412</u>	<u>\$ 46,527,341</u>	<u>\$ 7,266,128</u>	<u>\$ 74,803,881</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

**Business - type Activities - Enterprise Funds**

	Electricity Operations	Utility Operations	Regional Water Operations	Total
<b>OPERATING REVENUES</b>				
Charges for services - electricity	\$ 8,582,768	\$ -	\$ -	\$ 8,582,768
Charges for services - sewer	-	2,413,560	-	2,413,560
Charges for services - water	-	2,857,974	660,458	3,518,432
Miscellaneous	50	20,946	-	20,996
<b>TOTAL OPERATING REVENUES</b>	<u>8,582,818</u>	<u>5,292,480</u>	<u>660,458</u>	<u>14,535,756</u>
<b>OPERATING EXPENSES</b>				
Electricity	6,945,533	-	-	6,945,533
Sewer	-	3,398,886	-	3,398,886
Water	-	1,823,277	914,943	2,738,220
Depreciation	536,849	1,088,966	235,403	1,861,218
<b>TOTAL OPERATING EXPENSES</b>	<u>7,482,382</u>	<u>6,311,129</u>	<u>1,150,346</u>	<u>14,943,857</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,100,436</u>	<u>(1,018,649)</u>	<u>(489,888)</u>	<u>(408,101)</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Interest on investments	13,580	7,042	796	21,418
Interest expense	(381,507)	(842,457)	-	(1,223,964)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>(367,927)</u>	<u>(835,415)</u>	<u>796</u>	<u>(1,202,546)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	732,509	(1,854,064)	(489,092)	(1,610,647)
<b>TRANSFERS</b>				
Transfers In	-	437,130	-	437,130
Transfers out	(420,857)	(379,475)	-	(800,332)
<b>CHANGE IN NET POSITION</b>	311,652	(1,796,409)	(489,092)	(1,973,849)
<b>NET POSITION, Beginning, as restated (see note IV.D)</b>	<u>3,310,859</u>	<u>16,771,935</u>	<u>7,460,184</u>	<u>27,542,978</u>
<b>NET POSITION, Ending</b>	<u>\$ 3,622,511</u>	<u>\$ 14,975,526</u>	<u>\$ 6,971,092</u>	<u>\$ 25,569,129</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	Business-type Activities - Enterprise Funds			
	Electricity Operations	Utility Operations	Regional Water Operations	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 8,647,755	\$ 5,251,702	\$ 662,678	\$ 14,562,135
Payments to suppliers and others	(6,642,452)	(2,815,406)	(716,754)	(10,174,612)
Payments to employees and others for salaries/benefits	(258,936)	(2,205,909)	(196,149)	(2,660,994)
Net cash provided from (used by) operating activities	<u>1,746,367</u>	<u>230,387</u>	<u>(250,225)</u>	<u>1,726,529</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	437,130	-	437,130
Transfers out	(420,857)	(379,475)	-	(800,332)
Net cash provided from (used by) non-capital financing activities	<u>(420,857)</u>	<u>57,655</u>	<u>-</u>	<u>(363,202)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from intergovernmental revenue	-	-	352,784	352,784
Proceeds from issuance of debt	15,530,000	3,160,000	-	18,690,000
Proceeds from bond premium	909,893	105,614	-	1,015,507
Acquisition of capital assets	(996,517)	(1,549,096)	-	(2,545,613)
Principal paid on long-term obligations	(11,475,000)	(1,158,875)	-	(12,633,875)
Interest paid on long-term obligations	(628,805)	(865,515)	-	(1,494,320)
Net cash provided from (used by) capital and related financing activities	<u>3,339,571</u>	<u>(307,872)</u>	<u>352,784</u>	<u>3,384,483</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net sales (purchases) of investments	405,912	(47,647)	-	358,265
Interest on investments	51,264	14,165	796	66,225
Net cash provided (used) by investing activities	<u>457,176</u>	<u>(33,482)</u>	<u>796</u>	<u>424,490</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,122,257	(53,312)	103,355	5,172,300
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>1,193,233</u>	<u>2,500,956</u>	<u>448,465</u>	<u>4,142,654</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 6,315,490</u>	<u>\$ 2,447,644</u>	<u>\$ 551,820</u>	<u>\$ 9,314,954</u>
<b>COMPRISED AS FOLLOWS:</b>				
Cash and cash equivalents	\$ 1,957,535	\$ 538,089	\$ 551,820	\$ 3,047,444
Restricted cash and cash equivalents - current	172,903	14,800	-	187,703
Restricted cash and cash equivalents - noncurrent	4,185,052	1,894,755	-	6,079,807
	<u>\$ 6,315,490</u>	<u>\$ 2,447,644</u>	<u>\$ 551,820</u>	<u>\$ 9,314,954</u>

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

**CITY OF HERMISTON, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	Business-type Activities - Enterprise Funds			
	Electricity Operations Fund	Utility Operations	Regional Water Operations	Totals
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>				
Operating income (loss)	\$ 1,100,436	\$ (1,018,649)	\$ (489,888)	\$ (408,101)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	536,849	1,088,966	235,403	1,861,218
(Increase) decrease in assets and deferred outflows:				
Receivables	67,540	(43,293)	2,220	26,467
Prepaid	1,100	2,200	1,000	4,300
Deferred outflows - pension	(107,975)	(1,041,986)	(104,982)	(1,254,943)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	23,954	6,030	(39,497)	(9,513)
Deposits	(2,603)	6,511	-	3,908
Unearned revenues	-	(3,996)	-	(3,996)
Compensated absences payable	-	5,485	-	5,485
Net pension liability	178,948	1,312,213	150,758	1,641,919
Deferred inflows - pension	(51,882)	(83,094)	(5,239)	(140,215)
 Net cash provided from (used by) operating activities	 <u>\$ 1,746,367</u>	 <u>\$ 230,387</u>	 <u>\$ (250,225)</u>	 <u>\$ 1,726,529</u>

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



*Where Life is Sweet*

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF HERMISTON, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**1. Summary of Significant Accounting Policies**

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

**A. Scope of Reporting Entity**

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

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

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

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

**B. Government-wide and Fund Financial Statements**

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

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

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



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

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

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

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

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

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

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

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

**D. Fund Types and Major Funds**

Governmental Funds

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

General Fund

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

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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.

2017 FF&C TPA Fund

This fund is used to account for loan proceeds intended to help 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 acquisition values on the date donated.

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

Estimated useful lives for depreciable assets are as follows:

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

Interest is capitalized on proprietary fund assets constructed with debt proceeds. During the year, the City incurred interest expense of \$1,344,314 in the proprietary funds. Of this amount, \$120,350 was included in the cost of capital assets under construction and \$1,223,964 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.

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**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 funds is valued at cost using the consumption method. The City's inventory consists of airport fuel valued at \$25,480. 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 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.

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**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 in the General Fund, grants in the Reserve Fund, and municipal court in other governmental funds is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions 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 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

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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, advances to other funds, and inventory.

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

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

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

**Unassigned** – This is the residual classification used for those balances not assigned to another category.

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

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

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**2. Cash and Investments**

At June 30, 2017 cash and investment consisted of the following:

Cash	\$ 7,221,373
Cash equivalents	<u>10,983,469</u>
Total cash and cash equivalents	<u>\$ 18,204,842</u>

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

Cash and cash equivalents	\$ 10,368,543
Restricted cash and cash equivalents	<u>7,836,299</u>
Total cash and cash equivalents	<u>\$ 18,204,842</u>

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	-	\$ 10,983,469
US Agencies	<u>2.02</u>	<u>6,963,377</u>
	0.79	17,946,846
Less amounts classified as cash equivalents	<u>-</u>	<u>(10,983,469)</u>
Total investments	<u>2.02</u>	<u>\$ 6,963,377</u>

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

**Restricted Cash**

Current restricted cash includes \$209,975 of customer deposits and \$47,530 in police evidence. Noncurrent restricted cash consists of \$7,578,794 of unspent bond proceeds restricted to capital projects.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2017, the book value of the City's deposits was \$7,221,373 and the bank balance was \$8,006,342. \$7,756,342 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

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Interest Rate Risk – Investments

As of June 30, 2017, the City's weighted average maturity of its investment portfolio was 2.02 years. The City invests in short-term U.S. Government securities. These securities will be redeemed for full value at maturity.

Fair Value Hierarchy – Investments

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

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.

Concentration of Credit Risk – Investments

The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in mutual funds, external investment pools, other pooled investments or those issued and explicitly guaranteed by the U.S. Government. The City had the following investments in US Agencies that are not explicitly guaranteed and exceeded the 5 percent threshold Federal National Mortgage Association \$1,991,832, Resolution Funding Corp \$1,987,238, Federal Farm Credit Bank \$988,555, Federal Home Loan Mortgage Corporation \$997,902, and Federal Home Loan Bank \$997,850.

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, 2017, 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. Investments must be rated AA or higher.

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

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**3. Capital Assets**

The changes in capital assets for the governmental activities for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Governmental activities:</u></b>				
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 2,426,234	\$ 15,796	\$ -	\$ 2,442,030
Construction in progress	3,402,656	1,204,990	(3,639,844)	967,802
Total capital assets, non-depreciable	<u>5,828,890</u>	<u>1,220,786</u>	<u>(3,639,844)</u>	<u>3,409,832</u>
<b>Capital assets, depreciable:</b>				
Not used	-	-	-	-
Buildings and improvements	13,356,602	3,653,059	-	17,009,661
Not used	-	-	-	-
Machinery and equipment	2,761,311	177,205	-	2,938,516
Street system	16,033,151	127,569	-	16,160,720
Total capital assets, depreciable	<u>32,151,064</u>	<u>3,957,833</u>	<u>-</u>	<u>36,108,897</u>
Total	37,979,954	5,178,619	(3,639,844)	39,518,729
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(8,154,636)	(507,853)	-	(8,662,489)
Machinery and equipment	(2,417,696)	(98,834)	-	(2,516,530)
Street system	(11,626,815)	(388,801)	-	(12,015,616)
Total accumulated depreciation	<u>(22,199,147)</u>	<u>(995,488)</u>	<u>-</u>	<u>(23,194,635)</u>
Net depreciable capital assets	<u>9,951,917</u>	<u>2,962,345</u>	<u>-</u>	<u>12,914,262</u>
<b>Net capital assets</b>	<u>\$ 15,780,807</u>	<u>\$ 4,183,131</u>	<u>\$ (3,639,844)</u>	<u>\$ 16,324,094</u>

Depreciation expense is allocated to governmental functions as follows:

**Governmental activities:**

General government	\$ 218,886
Public safety	72,246
Highways and streets	405,776
Culture and recreation	298,580
Total depreciation expense - governmental activities	<u>\$ 995,488</u>



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The changes in capital assets for the business-type activities for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 1,086,308	\$ -	\$ -	\$ 1,086,308
Construction in Progress	<u>2,583,972</u>	<u>1,825,628</u>	<u>(2,633,629)</u>	<u>1,775,971</u>
Total capital assets, non-depreciable	<u>3,670,280</u>	<u>1,825,628</u>	<u>(2,633,629)</u>	<u>2,862,279</u>
<b>Capital assets, depreciable:</b>				
Utility Systems and buildings	65,332,657	2,677,054	-	68,009,711
Electrical system	17,716,033	640,108	-	18,356,141
Equipment and vehicles	<u>1,085,277</u>	<u>156,804</u>	<u>-</u>	<u>1,242,081</u>
Total capital assets, depreciable	<u>84,133,967</u>	<u>3,473,966</u>	<u>-</u>	<u>87,607,933</u>
Total	87,804,247	5,299,594	(2,633,629)	90,470,212
<b>Less accumulated depreciation for:</b>				
Utility Systems and buildings	(21,207,621)	(1,280,691)	-	(22,488,312)
Electrical system	(6,514,277)	(536,849)	-	(7,051,126)
Equipment and vehicles	<u>(953,575)</u>	<u>(43,678)</u>	<u>-</u>	<u>(997,253)</u>
Total accumulated depreciation	<u>(28,675,473)</u>	<u>(1,861,218)</u>	<u>-</u>	<u>(30,536,691)</u>
Net depreciable capital assets	<u>55,458,494</u>	<u>1,612,748</u>	<u>-</u>	<u>57,071,242</u>
<b>Net capital assets</b>	<u>\$ 59,128,774</u>	<u>\$ 3,438,376</u>	<u>\$ (2,633,629)</u>	<u>\$ 59,933,521</u>

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

**Business-type activities:**

Water	\$ 380,940
Sewer	708,026
Electric	536,849
Regional Water	<u>235,403</u>
Total depreciation expense - business-type activities	<u>\$ 1,861,218</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.

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**5. Long-term Debt**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Balance June</u> <u>30, 2016</u>	<u>Issued</u>	<u>Refinanced</u>	<u>Reductions</u>	<u>Balance June</u> <u>30, 2017</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>						
Principal Transactions:						
Governmental bonds						
2013 pool bonds	\$ 2,925,000	\$ -	\$ -	\$ 100,000	\$ 2,825,000	\$ 110,000
2017 HURA bonds	-	1,475,000	-	-	1,475,000	50,000
2017 HURA premium	-	49,109	-	716	48,393	2,455
2017 TPA bonds	-	2,120,000	-	-	2,120,000	75,000
2017 TPA premium	-	70,830	-	1,033	69,797	3,542
2013 pool premium	107,813	-	-	6,342	101,471	6,342
2011 refunding regional water bonds	2,285,000	-	-	240,000	2,045,000	250,000
2011 refunding regional water premium	89,208	-	-	9,912	79,296	9,912
Total governmental bonds	<u>5,407,021</u>	<u>3,714,939</u>	<u>-</u>	<u>358,003</u>	<u>8,763,957</u>	<u>507,251</u>
Compensated absences	<u>331,533</u>	<u>269,799</u>	<u>-</u>	<u>265,226</u>	<u>336,106</u>	<u>268,885</u>
Total governmental activities	<u>\$ 5,738,554</u>	<u>\$ 3,984,738</u>	<u>\$ -</u>	<u>\$ 623,229</u>	<u>\$ 9,100,063</u>	<u>\$ 776,136</u>
<b>Business-type activities:</b>						
Enterprise bonds						
2005 electric revenue bonds	\$ 11,475,000	\$ -	\$ 11,475,000	\$ -	\$ -	\$ -
2007 refunding utility bonds	303,413	-	-	303,413	-	-
2017 Water bonds	-	3,160,000	-	-	3,160,000	110,000
2017 Water premium	-	105,614	-	1,540	104,074	5,281
2014 sewer and water bonds	4,715,000	-	-	-	4,715,000	125,000
2005 electric revenue discount	(76,976)	-	-	(76,976)	-	-
2014 sewer and water premium	253,104	-	-	10,546	242,558	10,546
2016 Electric bonds	-	15,530,000	-	-	15,530,000	590,000
2016 Electric premium	-	909,893	-	32,225	877,668	45,495
Total enterprise bonds	<u>16,669,541</u>	<u>19,705,507</u>	<u>11,475,000</u>	<u>270,748</u>	<u>24,629,300</u>	<u>886,322</u>
Enterprise loans/notes						
Business Oregon	35,058	-	-	8,135	26,923	8,541
Oregon DEQ	20,684,735	-	-	847,325	19,837,410	870,220
Total enterprise loans	<u>20,719,793</u>	<u>-</u>	<u>-</u>	<u>855,460</u>	<u>19,864,333</u>	<u>878,761</u>
Compensated absences	<u>79,820</u>	<u>69,341</u>	<u>-</u>	<u>63,856</u>	<u>85,305</u>	<u>68,244</u>
Total business-type activities	<u>\$ 37,469,154</u>	<u>\$ 19,774,848</u>	<u>\$ 11,475,000</u>	<u>\$ 1,190,064</u>	<u>\$ 44,578,938</u>	<u>\$ 1,833,327</u>
Total City	<u>\$ 43,207,708</u>	<u>\$ 23,759,586</u>	<u>\$ 11,475,000</u>	<u>\$ 1,813,293</u>	<u>\$ 53,679,001</u>	<u>\$ 2,609,463</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.

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ending June 30,	<u>Total enterprise bonds</u>		<u>Total governmental bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 886,322	\$ 769,127	\$ 507,251	\$ 265,207
2019	916,322	753,707	522,251	260,706
2020	936,322	731,736	547,251	244,182
2021	956,322	714,424	567,251	224,831
2022	976,322	691,163	597,251	203,982
2023-2027	5,366,610	2,990,912	2,486,431	727,307
2028-2032	6,256,610	2,085,162	2,131,695	408,063
2033-2037	7,392,832	926,713	1,404,576	122,083
2038-2042	941,638	55,600	-	-
<b>Total</b>	<b>\$ 24,629,300</b>	<b>\$ 9,718,544</b>	<b>\$ 8,763,957</b>	<b>\$ 2,456,361</b>

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. Semi Annual payments of principal and interest are due in April and October of each year and final repayment is expected in April 2035. 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. Semi Annual payments of principal and interest are due in April and October of each year and final repayment is expected in April 2035. Annual debt service requirements below are based upon a repayment schedule required by the loan agreement.

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

Fiscal Year Ending June 30,	Total enterprise loans	
	Principal	Interest
2018	\$ 878,761	\$ 528,180
2019	902,700	504,150
2020	927,300	479,551
2021	942,687	454,279
2022	968,161	428,805
2023-2027	5,247,693	1,737,137
2028-2032	5,996,186	988,644
2033-2037	4,000,845	190,075
	<u>\$ 19,864,333</u>	<u>\$ 5,310,821</u>

**6. Fund Balance Classifications**

Fund balances by classification for the year ended June 30, 2017 were as follows:

	Combined General Fund	Street Tax Fund	Reserve Fund	2017 FF&C TPA Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Fund Balance</b>						
<b>Nonspendable:</b>						
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ 1,334	\$ 1,334
Advance to other funds	140,838	-	-	-	25,000	165,838
<b>Restricted for:</b>						
Debt service	-	-	-	-	181,868	181,868
Culture and recreation	-	-	334,407	-	7,973	342,380
Highways and streets	-	743,707	369,556	-	-	1,113,263
Public safety	-	-	-	-	54,537	54,537
Economic development	82,415	-	17,044	831	1,844,727	1,945,017
System development	-	-	507,641	-	-	507,641
<b>Committed to:</b>						
Municipal court	-	-	-	-	26,377	26,377
Culture and recreation	-	-	145,465	-	123,450	268,915
Highways and streets	-	-	547,586	-	-	547,586
Economic development	-	-	208,843	-	681,305	890,148
Public safety	-	-	-	-	48,178	48,178
Utility systems	-	-	2,571,564	-	-	2,571,564
Insurance reserve	-	-	-	-	726,467	726,467
Other reserves	-	-	250,791	-	2,368	253,159
<b>Assigned for:</b>						
Other	-	-	-	-	42,051	42,051
<b>Unassigned</b>	<u>3,879,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,255)</u>	<u>3,787,263</u>
<b>Total Fund Balance</b>	<u>\$ 4,102,771</u>	<u>\$ 743,707</u>	<u>\$ 4,952,897</u>	<u>\$ 831</u>	<u>\$ 3,673,380</u>	<u>\$ 13,473,586</u>

The \$92,255 deficit fund balance in the Hermiston Urban Renewal Agency Fund is due to expenditures funded by an interfund loan with the General Fund and should be reversed through future property tax collections.

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**7. Garbage Disposal Contract**

The City contracts for garbage disposal with a third party. Under terms of the agreement the City remits 86.5% of collected sanitation fees to the contracting party, with the General Fund retaining 13.5% of the fees as compensation for billing and collection services and as franchise fees.

**8. 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 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.

Transfers on the budgetary basis consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
Combined General Fund	\$ 789,813	\$ 1,147,030
State Tax Street Fund	-	378,802
Reserve Fund	972,315	263,000
Total Major Governmental Funds	<u>1,762,128</u>	<u>1,788,832</u>
Non-Major Governmental Funds:		
Recreation Reserve Fund	\$ -	\$ 312,214
Municipal Court Fund	-	16,981
Law Enforcement Fund	12,697	21,205
Misc. Special Revenue Fund	-	57,742
Transient Room Tax Fund	-	503,394
Conference Center Fund	92,105	11,217
Christmas Express Fund	21,205	-
Senior Center Construction Fund	750,000	-
Reserve Fund	189,925	-
Total Non-Major Governmental Funds	<u>1,065,932</u>	<u>922,753</u>
Proprietary Funds:		
Utility Operations	<u>263,000</u>	<u>379,475</u>
Total All Funds	<u>\$ 3,091,060</u>	<u>\$ 3,091,060</u>

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**B. Interfund Loans Receivables and Payables**

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

	Interfund Loan Receivable	Interfund Loan Payable
Combined General Fund	\$ 140,838	\$ -
Reserve Fund	-	25,000
Recreation Reserve Fund	25,000	-
Hermiston Urban Renewal Agency	-	140,838
Total	<u>\$ 165,838</u>	<u>\$ 165,838</u>

**9. 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 June 30, 2017, the City has incurred \$651,007 in costs towards the projects and the project was approximately 23% complete.
2. Airport Master Plan – The City was awarded state and federal grants totaling \$330,000 to update the airport master plan. Total costs are estimated at \$333,300, with the City's portion estimated at about \$3,300. Costs incurred as of June 30, 2017 included the independent fee estimate and advertising of \$4,130 and the engineering contract and grants received final approval shortly after year end.
3. Traffic Control at 11<sup>th</sup> & 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 11<sup>th</sup> as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's (GSMC) entrance on NW 11<sup>th</sup>. The project will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11<sup>th</sup> 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. The City has expended \$51,000 on right-of-way costs and construction has not yet started.

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4. 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 11<sup>th</sup> Street and Riverfront Park. The total estimated cost of the project is \$663,255 of which the City's share is \$181,000. The City has spent \$38,800 in design and engineering costs. Construction is anticipated to begin in the 2017-18 fiscal year.
5. Electric Improvements – The City received \$4.5 million in bond proceeds for electric improvements included in the 2016-19 construction work plan. The City will participate in the construction of Hermiston East substation with Umatilla Electric Coop and install new automated meter infrastructure capable of reading electric meters. As of June 30, 2017, \$461,629 has been spent towards the projects, which is approximately 10% of the bond proceeds. The City also approved a contract after year end to replace approximately 5,300 meters.
6. Water and Sewer Improvements – The City received \$3.2 million in bond proceeds to purchase and install new equipment and machinery at the sewer treatment plant and to purchase and replace all water meters in the City with remote-read meters. As of June 30, 2017, \$1,314,342 has been spent towards the projects, which is approximately 41% of the bond proceeds. The City also approved a contract after year end to remove the old water meters and install the water meters purchased in FY17.
7. Festival Street Improvements – The Hermiston Urban Renewal Agency has paid \$101,959 in design and engineering services for the Festival Street Improvements, which are estimated to cost up to \$1.1 million. Construction is expected to begin in January 2018.

**10. 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.

**11. Pension Plan**

**A. Plan description**

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

<http://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.



**B. Benefits provided**

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

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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

**Death Benefits**

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

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

**Disability Benefits**

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

**Benefit Changes**

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The COLA is capped at 2%.

**2. OPSRP Pension Program (OPSRP DB)**

**Pension Benefits**

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

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

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

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

**Death Benefits**

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

**Disability Benefits**

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

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

**Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

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, which became effective July 1, 2015. Employer contributions and employer pick-up contributions for the year ended June 30, 2017 were \$1,241,634, excluding \$27,290 to fund the retirement health insurance account (RHIA). The rates in effect for the fiscal year ended June 30, 2017, excluding the RHIA rate, 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, 2017, the City reported a liability of \$10,563,047 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. 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, 2016, the City's proportion was 0.0704 percent, which was decreased from its proportion of 0.0838 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the City's recognized pension expense (income) of \$2,179,664. At June 30, 2017, 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	\$ 349,472	\$ -
Changes in assumptions	2,252,844	-
Net difference between projected and actual earnings on investments	2,086,815	-
Changes in proportionate share	111,484	725,332
Differences between employer contributions and employers proportionate share of system contributions	<u>161,254</u>	<u>123,074</u>
Total (prior to post-MD contributions)	4,961,869	848,406
Contributions subsequent to the measurement date	<u>830,710</u>	<u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 5,792,579</u>	<u>\$ 848,406</u>

\$830,710 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 714,088
2019	714,088
2020	1,478,637
2021	1,078,383
2022	<u>128,267</u>
Total	<u>\$ 4,113,463</u>

**E. Actuarial Assumptions**

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

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The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study Report	2014, published September 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50 percent (reduced from 2.75%)
Long-Term Expected Rate of Return	7.50 percent (reduced from 7.75%)
Discount Rate	7.50 percent (reduced from 7.75%)
Projected Salary Increases	3.50 percent (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries; RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p>Active Members; Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

**F. Long-term expected rate of return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

Asset Class/Strategy	OIC Assumed Asset Allocation		
	Low Range	High Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Funds of Funds - Diversified	2.50%	4.64%
Hedge Funds - Event-driven	0.63%	6.72%
Timber	1.87%	5.85%
Farmland	1.87%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.50%

**G. Depletion Date Projection**

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

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

**H. Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**I. Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$17,055,798	\$ 10,563,047	\$ 5,136,242

**J. Pension plan fiduciary net position**

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

**K. Payables to the Pension Plan**

The City reports payables in the amount of \$122,394 to the pension plan.

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

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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percent and lowering the assumed inflation to 2.5 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions for merit increases, unused sick leave, and vacation pay were updated.

This change in benefit terms were reflected in the current valuation.

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

At its July 28, 2017 meeting, the PERS Board lowered the assumed earnings rate to 7.2 percent. For member transactions, this rate will take effect January 1, 2018. The current assumed earnings rate is 7.5 percent and has been in effect for member transactions since January 1, 2016.

**12. 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 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, 2017, 2016 and 2015 were \$27,290, \$27,717, and \$28,541, which equaled the required contributions each year.

**13. Joint Venture**

In March 2012, the City entered into an intergovernmental agreement with Umatilla County establishing



**CITY OF HERMISTON, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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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 contributed an additional \$600,000 to assist in capital construction and to cover cost overruns. In 2017, the City issued bonds funded by the TPA capital assessment and contributed an additional \$2,236,136 towards construction.

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, 2017, was \$9,096,389. The current year resulted in a net increase on investment to the City of \$1.8 million (including \$2.2 million additional investment by the City).

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

**14. Prior Period Adjustment**

The City recorded a prior period adjustment of \$125,000 to correct prior year's accounts payable in the Energy Operations Fund for a monthly invoice that is being paid in the month it is due, rather than in arrears, as previously determined. The total effect of this prior period adjustment was to increase net position in business-type activities by \$125,000.

**15. 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, 2018 based upon revised actuarial standards and to 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.

**16. Tax Abatement Disclosures**

The City enters into property tax abatement agreements with local businesses under the Hermiston Enterprise Zone authorized by Oregon Statute 285C.175. The Hermiston Enterprise Zone is largely

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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contiguous to Hermiston's City limits and allows eligible (generally non-retail) businesses that expand into the area, to receive total exemption from the property taxes normally assessed on new plan and equipment for three years. For the basic three-year property tax exemption, the business needs to increase full time, permanent employment by one new job or 10%, whichever is greater; have no concurrent job losses outside of Hermiston, but inside of Oregon; and maintain the employment level during the exemption period. Some projects which meet the basic three-year exemption may also qualify for an additional one to two years of tax exemption if the total compensation of new the new workers is at or above 150% of Umatilla County's average wage and there is a written agreement with the City of Hermiston. The City has two five-year agreements with a producer of hybrid seeds for agriculture that expanded into the Hermiston Enterprise Zone. The tax abatement amounted to \$201,272 and the City's portion of the abated taxes was approximately \$76,000. There is also a food processing plant in the enterprise zone under a three year agreement. The tax abatement amounted to \$52,989, but the City's portion of the abated taxes was zero since it is outside of the City limits.

**17. Subsequent Events**

The City entered into an intergovernmental agreement with Oregon Department of Fish and Wildlife (ODFW) in July of 2017 for Steelhead Park. ODFW is transferring a five acre property to the City without a fee provided that the City develops a boat ramp at Steelhead Park by the year 2025. The City also approved an intergovernmental agreement with Umatilla County transferring jurisdiction of West Highland Avenue from SW 11<sup>th</sup> Street to SW 15<sup>th</sup> Street to the City.

The City approved the downtown light pole project phase 1 to replace 13 street lights from HWY 395 to 5<sup>th</sup> Street for approximately \$80,000.

At the September 11, 2017 City Council meeting, the Council approved resolutions increasing franchise fees for most agreements from 3% to 5% of gross revenues and increasing the Umatilla Electric Cooperative payment in lieu of taxes from 1.5% to 2%.

The City of Hermiston and Hermiston Urban Renewal Agency (HURA) approved a letter of intent at their September 25, 2017 meeting to enter into a public and private development along South First Place. Mitco Investments plans to build a 5,000 square foot event pavilion between Locust Avenue and Orchard Avenue by June 1, 2018. The Maxwell Marketplace will feature restrooms, roll-down glass doors, and a 65 space parking lot. The City and HURA are pledging \$220,000 toward the project in exchange for the lease to a parcel of land across from the police station where the City plans to build a skate park, as well as an agreement from Mitco Investments to allow the public free use of the parking lot at the Maxwell Marketplace. Of the \$220,000 pledge, \$120,000 would be spent by the City and \$100,000 would be spent by HURA.

The City approved a bid of \$1,529,235 for the dewatering equipment install for the purpose of implementing a long-term solution for disposing of bio solids created by the Recycled Water Treatment Plant. The City is also working with local farmers who will be able to use these items for their crops.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 5,201,800	\$ 5,201,800	\$ 5,167,756	\$ (34,044)
Franchise fees	846,300	846,300	842,305	(3,995)
Licenses and fees	4,800	4,800	5,510	710
Charges for services	1,363,600	1,363,600	1,359,934	(3,666)
Intergovernmental	499,400	536,150	585,466	49,316
Contributions	-	-	1,500	1,500
Fines and forfeitures	570,000	570,000	450,653	(119,347)
Rental income	60,000	60,000	73,287	13,287
Interest on investments	50,000	50,000	22,958	(27,042)
Miscellaneous	112,000	112,000	198,094	86,094
<b>TOTAL REVENUES</b>	<u>8,707,900</u>	<u>8,744,650</u>	<u>8,707,463</u>	<u>(37,187)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,006,345	2,074,445	2,065,600	8,845
Public safety	4,829,402	4,829,402	4,738,664	90,738
Culture and recreation	2,241,210	2,241,210	2,012,015	229,195
Capital outlay	1,144,000	1,144,000	141,577	1,002,423
Contingency	3,714,718	3,683,368	-	3,683,368
<b>TOTAL EXPENDITURES</b>	<u>13,935,675</u>	<u>13,972,425</u>	<u>8,957,856</u>	<u>5,014,569</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,227,775)</u>	<u>(5,227,775)</u>	<u>(250,393)</u>	<u>4,977,382</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,000,000	1,000,000	-	(1,000,000)
Transfers in	518,725	857,962	789,813	(68,149)
Interfund loan proceeds	160,500	160,500	160,492	(8)
Interfund loan repayment	(100,000)	(100,000)	(100,000)	-
Transfers out	(1,151,450)	(1,151,450)	(1,147,030)	4,420
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>427,775</u>	<u>767,012</u>	<u>(296,725)</u>	<u>(1,063,737)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,800,000)	(4,460,763)	(547,118)	3,913,645
Budgetary basis adjustment	-	-	(59,162)	(59,162)
<b>FUND BALANCE, Beginning</b>	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,709,051</u>	<u>(90,949)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ 339,237</u>	<u>\$ 4,102,771</u>	<u>\$ 3,763,534</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**STATE TAX STREET FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,180,474	\$ 1,180,474	\$ 1,235,733	\$ 55,259
Interest on investments	-	-	905	905
Miscellaneous	-	-	136	136
<b>TOTAL REVENUES</b>	<u>1,180,474</u>	<u>1,180,474</u>	<u>1,236,774</u>	<u>56,300</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personnel services	553,852	553,852	532,492	21,360
Materials and services	150,225	150,225	127,695	22,530
Capital outlay	102,000	102,000	95,586	6,414
Contingency	545,595	545,595	-	545,595
<b>TOTAL EXPENDITURES</b>	<u>1,351,672</u>	<u>1,351,672</u>	<u>755,773</u>	<u>595,899</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(171,198)</u>	<u>(171,198)</u>	<u>481,001</u>	<u>652,199</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(378,802)	(378,802)	(378,802)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(378,802)</u>	<u>(378,802)</u>	<u>(378,802)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(550,000)	(550,000)	102,199	652,199
<b>FUND BALANCE, Beginning</b>	<u>550,000</u>	<u>550,000</u>	<u>641,508</u>	<u>91,508</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 743,707</u>	<u>\$ 743,707</u>

See auditor's report.

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

Measurement Date June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.07036251%	\$ 10,563,046	\$ 5,712,418	184.91%	80.50%
2015	0.08383593%	\$ 4,813,407	\$ 5,473,635	87.94%	91.90%
2014	0.07543283%	\$ (1,709,847)	\$ 5,446,273	-31.39%	103.60%
2013	0.07543283%	\$ 3,849,448	\$ 5,273,682	72.99%	91.97%

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

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

**CITY OF HERMISTON, OREGON  
SCHEDULE OF CONTRIBUTIONS  
For The Last Four Fiscal Years**

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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
2017	\$ 830,708	\$ 830,708	\$ -	\$5,940,029	13.98%
2016	\$ 836,292	\$ 836,292	\$ -	\$5,712,418	14.64%
2015	\$ 733,439	\$ 733,439	\$ -	\$5,473,635	13.40%
2014	\$ 764,158	\$ 764,158	\$ -	\$5,446,273	14.03%

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

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

**CITY OF HERMISTON, OREGON**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

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**Stewardship, Compliance, and Accountability**

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. The City’s budget is presented on the modified accrual basis of accounting which is the same basis as GAAP, except for interfund loan activity reclassified to the balance sheet in the General Fund, Hermiston Urban Renewal Fund, and Reserve Fund. In addition, payment in lieu of taxes from the Energy Services Fund is reclassified to transfers for GAAP.

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

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund and Utility Fund. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The City had appropriation transfers during the year-ended June 30, 2017. The City had three supplemental budgets during the year-ended June 30, 2017. Appropriations lapse as of year-end.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2017:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General fund	Manager/planning	\$2,842
General fund	Court	\$3,719
General fund	Legal counsel	\$4,531
General fund	Non-Departmental	\$87,171
Transient room tax fund	Materials and services	\$5,567
Energy services fund	Capital outlay	\$9,390
Utility fund	Water	\$24,939
Regional water fund	Personnel services	\$434
Regional water fund	Materials and services	\$40,942

**Changes in Benefit Terms**

The Oregon Supreme Court decision in Moro v. State of Oregon, issued April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

**Changes of Assumptions**

The PERS Board adopted assumption changes that were used to measure the June 30, 2016 pension liability. The changes included lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions for merit increases, unused sick leave, and vacation pay were updated.



## **SUPPLEMENTAL INFORMATION**

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*Where Life is Sweet*

## COMBINING STATEMENTS

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### Non-Major Governmental Funds

**Special Revenue Funds-** These funds account for revenue derived from specific taxes or other earmarked revenue sources, which are restricted to expenditures for specified purposes. The fund included in this category is:

- *Transient Room Tax Fund* – This fund accounts for revenues collected from the City's transient room tax.
- *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 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 related to operation of the City's conference center.
- *Christmas Express Fund* – This fund accounts for donated monies that are restricted to expenditures for the law enforcement Christmas Express program.
- *Law Enforcement Fund* – The Law Enforcement Fund accounts for amounts constrained for law enforcement and related purposes.
- *Library Reserve Fund* – The Library Reserve Fund accounts for amounts constrained for library operations and improvements.
- *Hermiston Urban Renewal Agency* – The Hermiston Urban Renewal Agency Fund accounts for amounts constrained for the Urban Renewal Agency.

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

- *Senior Center Construction Fund* – The Senior Center Construction Fund accounts for proceeds of the grant and other resources received to construct a new Senior Center in Hermiston.
- *2017 FF&C HURA Fund* – The 2017 FF&C HURA Fund accounts for bond proceeds to be used for Urban Renewal projects.

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

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

**CITY OF HERMISTON, OREGON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Conference Center Fund	Christmas Express Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 133,305	\$ 53,420	\$ 27,461	\$ 860,492	\$ 58,716	\$ 24,757
Receivables:						
Property taxes	-	-	-	-	-	-
Accounts	248,264	-	87,087	-	-	-
Advances to other funds	-	25,000	-	-	-	-
Prepaid items	-	-	-	1,334	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 381,569</u>	<u>\$ 78,420</u>	<u>\$ 114,548</u>	<u>\$ 861,826</u>	<u>\$ 58,716</u>	<u>\$ 24,757</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 35,829	\$ -	\$ 1,084	\$ 122,920	\$ 6,271	\$ -
Deposits	-	-	-	5,106	7,280	-
Retainage payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>35,829</u>	<u>-</u>	<u>1,084</u>	<u>128,026</u>	<u>13,551</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	-	87,087	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>87,087</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	-	25,000	-	1,334	-	-
Restricted	345,740	-	-	-	-	24,757
Committed	-	15,000	26,377	728,835	45,165	-
Assigned	-	38,420	-	3,631	-	-
Unassigned	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>345,740</u>	<u>78,420</u>	<u>26,377</u>	<u>733,800</u>	<u>45,165</u>	<u>24,757</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 381,569</u>	<u>\$ 78,420</u>	<u>\$ 114,548</u>	<u>\$ 861,826</u>	<u>\$ 58,716</u>	<u>\$ 24,757</u>

See auditor's report.

Law Enforcement Fund	Library Reserve Fund	Hermiston Urban Renewal Agency Fund	Senior Center Construction Fund	2017 FF&C HURA Fund	Bonded Debt Fund	Totals
\$ 124,495	\$ 71,358	\$ 63,053	\$ 602,808	\$ 1,498,987	\$ 177,973	\$ 3,696,825
-	-	1,781	-	-	16,966	18,747
3,276	-	-	310,366	-	-	648,993
-	-	-	-	-	-	25,000
-	-	-	-	-	-	1,334
<u>\$ 127,771</u>	<u>\$ 71,358</u>	<u>\$ 64,834</u>	<u>\$ 913,174</u>	<u>\$ 1,498,987</u>	<u>\$ 194,939</u>	<u>\$ 4,390,899</u>
\$ -	\$ -	\$ 14,850	\$ 213,623	\$ -	\$ -	\$ 394,577
47,530	100	-	-	-	-	60,016
-	-	-	18,246	-	-	18,246
-	-	140,838	-	-	-	140,838
<u>47,530</u>	<u>100</u>	<u>155,688</u>	<u>231,869</u>	<u>-</u>	<u>-</u>	<u>613,677</u>
<u>2,283</u>	<u>-</u>	<u>1,401</u>	<u>-</u>	<u>-</u>	<u>13,071</u>	<u>103,842</u>
<u>2,283</u>	<u>-</u>	<u>1,401</u>	<u>-</u>	<u>-</u>	<u>13,071</u>	<u>103,842</u>
-	-	-	-	-	-	26,334
29,780	7,973	-	-	1,498,987	181,868	2,089,105
48,178	63,285	-	681,305	-	-	1,608,145
-	-	-	-	-	-	42,051
-	-	(92,255)	-	-	-	(92,255)
<u>77,958</u>	<u>71,258</u>	<u>(92,255)</u>	<u>681,305</u>	<u>1,498,987</u>	<u>181,868</u>	<u>3,673,380</u>
<u>\$ 127,771</u>	<u>\$ 71,358</u>	<u>\$ 64,834</u>	<u>\$ 913,174</u>	<u>\$ 1,498,987</u>	<u>\$ 194,939</u>	<u>\$ 4,390,899</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2017**

	Transient Room Tax Fund	Recreation Reserve Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Conference Center Fund	Christmas Express Fund
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient room taxes	782,067	-	-	-	-	-
Charges for services	-	-	-	111,344	94,355	-
Intergovernmental	10,000	-	-	-	-	-
Fines and forfeitures	-	-	179,971	-	-	-
Rental income	-	-	-	-	-	-
Contributions	-	-	-	-	-	16,502
Interest on investments	229	-	36	955	69	28
Miscellaneous	-	-	-	-	6,169	-
<b>TOTAL REVENUES</b>	<u>792,296</u>	<u>-</u>	<u>180,007</u>	<u>112,299</u>	<u>100,593</u>	<u>16,530</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	167,335	22,207	-	-
Public safety	-	-	-	-	-	12,978
Culture and recreation	-	-	-	-	186,716	-
Economic development	193,297	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>193,297</u>	<u>-</u>	<u>167,335</u>	<u>22,207</u>	<u>186,716</u>	<u>12,978</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>598,999</u>	<u>-</u>	<u>12,672</u>	<u>90,092</u>	<u>(86,123)</u>	<u>3,552</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Transfers in	-	-	-	-	92,105	21,205
Transfers out	(503,394)	(312,214)	(16,981)	(57,742)	(11,217)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(503,394)</u>	<u>(312,214)</u>	<u>(16,981)</u>	<u>(57,742)</u>	<u>80,888</u>	<u>21,205</u>
<b>NET CHANGE IN FUND BALANCE</b>	95,605	(312,214)	(4,309)	32,350	(5,235)	24,757
<b>FUND BALANCE, Beginning</b>	<u>250,135</u>	<u>390,634</u>	<u>30,686</u>	<u>701,450</u>	<u>50,400</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 345,740</u>	<u>\$ 78,420</u>	<u>\$ 26,377</u>	<u>\$ 733,800</u>	<u>\$ 45,165</u>	<u>\$ 24,757</u>

See auditor's report.

Law Enforcement Fund	Library Reserve Fund	Hermiston Urban Renewal Agency Fund	Senior Center Construction Fund	2017 FF&C HURA Fund	Bonded Debt Fund	Totals
\$ -	\$ -	\$ 33,329	\$ -	\$ -	\$ 255,239	\$ 288,568
-	-	-	-	-	-	782,067
-	1,276	-	-	-	-	206,975
31,657	5,127	-	442,098	-	-	488,882
-	13,964	-	-	-	-	193,935
-	860	-	-	-	-	860
260	1,147	-	-	-	-	17,909
98	87	-	894	3,356	-	5,752
41	-	-	-	-	-	6,210
<u>32,056</u>	<u>22,461</u>	<u>33,329</u>	<u>442,992</u>	<u>3,356</u>	<u>255,239</u>	<u>1,991,158</u>
-	-	-	-	-	-	189,542
33,987	-	-	-	-	-	46,965
-	3,726	-	-	-	-	190,442
-	-	148,776	-	28,478	-	370,551
-	131	-	536,483	-	-	536,614
-	-	1,329	-	-	510,261	511,590
<u>33,987</u>	<u>3,857</u>	<u>150,105</u>	<u>536,483</u>	<u>28,478</u>	<u>510,261</u>	<u>1,845,704</u>
<u>(1,931)</u>	<u>18,604</u>	<u>(116,776)</u>	<u>(93,491)</u>	<u>(25,122)</u>	<u>(255,022)</u>	<u>145,454</u>
-	-	-	-	1,475,000	-	1,475,000
-	-	-	-	49,109	-	49,109
12,697	-	-	750,000	-	189,925	1,065,932
(21,205)	-	-	-	-	-	(922,753)
<u>(8,508)</u>	<u>-</u>	<u>-</u>	<u>750,000</u>	<u>1,524,109</u>	<u>189,925</u>	<u>1,667,288</u>
(10,439)	18,604	(116,776)	656,509	1,498,987	(65,097)	1,812,742
<u>88,397</u>	<u>52,654</u>	<u>24,521</u>	<u>24,796</u>	<u>-</u>	<u>246,965</u>	<u>1,860,638</u>
<u>\$ 77,958</u>	<u>\$ 71,258</u>	<u>\$ (92,255)</u>	<u>\$ 681,305</u>	<u>\$ 1,498,987</u>	<u>\$ 181,868</u>	<u>\$ 3,673,380</u>

See auditor's report.



*Where Life is Sweet*



## **BUDGETARY COMPARISON SCHEDULES**

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

In accordance with GASB Statement #34, the City's General Fund and any major special revenue fund (currently only the State Tax Street Fund) are presented as required supplemental information. All other budgetary comparisons are displayed in the following pages as supplemental information.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL, BY DEPARTMENT**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>EXPENDITURES</b>				
City Council	\$ 45,719	\$ 61,819	\$ 60,354	\$ 1,465
Manager/Planning	438,624	438,624	441,466	(2,842)
Finance	79,295	79,295	75,940	3,355
Legal Counsel	83,700	83,700	88,231	(4,531)
Court	413,186	413,186	416,905	(3,719)
Transportation	248,300	248,300	240,555	7,745
Airport	237,450	251,450	162,944	88,506
Building Inspections	355,617	358,617	358,449	168
Parks	490,819	490,819	471,883	18,936
Parks/Utility Landscaping	39,475	39,475	21,123	18,352
Municipal Pool	433,333	433,333	349,886	83,447
Municipal Buildings	18,500	18,500	16,255	2,245
Library	734,775	734,775	663,355	71,420
Recreation	565,808	565,808	531,450	34,358
Public Safety Center	82,000	82,000	70,629	11,371
Police Operations	4,434,616	4,434,616	4,351,520	83,096
Non-Departmental	514,740	549,740	636,911	(87,171)
Non-Departmental Capital Outlay	1,005,000	1,005,000	-	1,005,000
Transfers Out	1,151,450	1,151,450	1,147,030	4,420
Interfund Loan Payments	100,000	100,000	100,000	-
Contingency	3,714,718	3,683,368	-	3,683,368
<b>TOTAL EXPENDITURES</b>	<u>\$ 15,187,125</u>	<u>\$ 15,223,875</u>	<u>\$ 10,204,886</u>	<u>\$ 5,018,989</u>

See auditor's report.

## BUDGETARY COMPARISON SCHEDULES

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### Governmental Funds

Governmental Budgetary Comparison schedules included the following:

- **Special Revenue Funds**
  - Transient Room Tax
  - Recreation Reserve
  - Municipal Court
  - Miscellaneous Special Revenue
  - Conference Center
  - Christmas Express
  - Law Enforcement
  - Library Reserve
  - Hermiston Urban Renewal Agency
- **Capital Project Funds**
  - Reserve
  - Senior Center Construction
  - 2017 FF&C HURA
  - 2017 FF&C TPA
- **Debt Service Fund**
  - Bonded Debt

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**TRANSIENT ROOM TAX FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Transient room taxes	\$ 779,460	\$ 779,460	\$ 782,067	\$ 2,607
Intergovernmental	-	-	10,000	10,000
Interest on investments	-	-	<u>229</u>	<u>229</u>
<b>TOTAL REVENUES</b>	<u>779,460</u>	<u>779,460</u>	<u>792,296</u>	<u>12,836</u>
<b>EXPENDITURES</b>				
Current:				
Economic development:				
Materials and services	<u>187,730</u>	<u>187,730</u>	<u>193,297</u>	<u>(5,567)</u>
<b>TOTAL EXPENDITURES</b>	<u>187,730</u>	<u>187,730</u>	<u>193,297</u>	<u>(5,567)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>591,730</u>	<u>591,730</u>	<u>598,999</u>	<u>7,269</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(580,130)</u>	<u>(580,130)</u>	<u>(503,394)</u>	<u>76,736</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(580,130)</u>	<u>(580,130)</u>	<u>(503,394)</u>	<u>76,736</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,600	11,600	95,605	84,005
<b>FUND BALANCE, Beginning</b>	<u>51,000</u>	<u>51,000</u>	<u>250,135</u>	<u>199,135</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 62,600</u>	<u>\$ 62,600</u>	<u>\$ 345,740</u>	<u>\$ 283,140</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**RECREATION RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan proceeds	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Transfers out	-	(312,214)	(312,214)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,000</u>	<u>(297,214)</u>	<u>(297,214)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	15,000	(297,214)	(297,214)	-
Budgetary basis adjustment	-	-	(15,000)	(15,000)
<b>FUND BALANCE, Beginning</b>	<u>360,000</u>	<u>360,000</u>	<u>390,634</u>	<u>30,634</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 375,000</u>	<u>\$ 62,786</u>	<u>\$ 78,420</u>	<u>\$ 15,634</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**MUNICIPAL COURT FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ 246,900	\$ 246,900	\$ 179,971	\$ (66,929)
Interest on investments	-	-	36	36
<b>TOTAL REVENUES</b>	<u>246,900</u>	<u>246,900</u>	<u>180,007</u>	<u>(66,893)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	<u>238,900</u>	<u>238,900</u>	<u>167,335</u>	<u>71,565</u>
<b>TOTAL EXPENDITURES</b>	<u>238,900</u>	<u>238,900</u>	<u>167,335</u>	<u>71,565</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,000</u>	<u>8,000</u>	<u>12,672</u>	<u>4,672</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(21,200)</u>	<u>(21,200)</u>	<u>(16,981)</u>	<u>4,219</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(21,200)</u>	<u>(21,200)</u>	<u>(16,981)</u>	<u>4,219</u>
<b>NET CHANGE IN FUND BALANCE</b>	(13,200)	(13,200)	(4,309)	8,891
<b>FUND BALANCE, Beginning</b>	<u>35,000</u>	<u>35,000</u>	<u>30,686</u>	<u>(4,314)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 21,800</u>	<u>\$ 21,800</u>	<u>\$ 26,377</u>	<u>\$ 4,577</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**MISCELLANEOUS SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 25,000	\$ 25,000	\$ 111,344	\$ 86,344
Interest on investments	-	-	955	955
<b>TOTAL REVENUES</b>	<u>25,000</u>	<u>25,000</u>	<u>112,299</u>	<u>87,299</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	<u>35,000</u>	<u>35,000</u>	<u>22,207</u>	<u>12,793</u>
<b>TOTAL EXPENDITURES</b>	<u>35,000</u>	<u>35,000</u>	<u>22,207</u>	<u>12,793</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>90,092</u>	<u>100,092</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>(57,742)</u>	<u>(57,742)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(57,742)</u>	<u>(57,742)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,000)	(67,742)	32,350	100,092
<b>FUND BALANCE, Beginning</b>	<u>10,000</u>	<u>67,742</u>	<u>701,450</u>	<u>633,708</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,800</u>	<u>\$ 733,800</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CONFERENCE CENTER FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 90,000	\$ 90,000	\$ 94,355	\$ 4,355
Interest on investments	-	-	69	69
Miscellaneous	1,000	1,000	6,169	5,169
<b>TOTAL REVENUES</b>	<u>91,000</u>	<u>91,000</u>	<u>100,593</u>	<u>9,593</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Materials and services	<u>187,525</u>	<u>193,565</u>	<u>186,716</u>	<u>6,849</u>
<b>TOTAL EXPENDITURES</b>	<u>187,525</u>	<u>193,565</u>	<u>186,716</u>	<u>6,849</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(96,525)</u>	<u>(102,565)</u>	<u>(86,123)</u>	<u>16,442</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	96,525	96,525	92,105	(4,420)
Transfers out	<u>-</u>	<u>(11,217)</u>	<u>(11,217)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>96,525</u>	<u>85,308</u>	<u>80,888</u>	<u>(4,420)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(17,257)	(5,235)	12,022
<b>FUND BALANCE, Beginning</b>	<u>50,000</u>	<u>67,257</u>	<u>50,400</u>	<u>(16,857)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 45,165</u>	<u>\$ (4,835)</u>

See auditor's report.



**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CHRISTMAS EXPRESS FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Contributions	\$ 15,000	\$ 15,000	\$ 16,502	\$ 1,502
Interest on investments	-	-	28	28
<b>TOTAL REVENUES</b>	15,000	15,000	16,530	1,530
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Materials and services	34,690	34,690	12,978	21,712
<b>TOTAL EXPENDITURES</b>	34,690	34,690	12,978	21,712
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(19,690)	(19,690)	3,552	23,242
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	21,204	21,205	1
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	21,204	21,205	1
<b>NET CHANGE IN FUND BALANCE</b>	(19,690)	1,514	24,757	23,243
<b>FUND BALANCE, Beginning</b>	19,690	-	-	-
<b>FUND BALANCE, Ending</b>	\$ -	\$ 1,514	\$ 24,757	\$ 23,243

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LAW ENFORCEMENT FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 17,930	\$ 18,520	\$ 31,657	\$ 13,137
Contributions	-	-	260	260
Interest on investments	-	-	98	98
Miscellaneous	-	-	41	41
<b>TOTAL REVENUES</b>	<u>17,930</u>	<u>18,520</u>	<u>32,056</u>	<u>13,536</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Personnel services	11,000	11,000	10,049	951
Materials and services	20,930	28,452	23,938	4,514
Contingency	<u>33,950</u>	<u>33,950</u>	<u>-</u>	<u>33,950</u>
<b>TOTAL EXPENDITURES</b>	<u>65,880</u>	<u>73,402</u>	<u>33,987</u>	<u>39,415</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(47,950)</u>	<u>(54,882)</u>	<u>(1,931)</u>	<u>52,951</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	16,000	16,000	12,697	(3,303)
Transfers out	<u>-</u>	<u>(21,204)</u>	<u>(21,205)</u>	<u>(1)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>16,000</u>	<u>(5,204)</u>	<u>(8,508)</u>	<u>(3,304)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(31,950)	(60,086)	(10,439)	49,647
<b>FUND BALANCE, Beginning</b>	<u>44,950</u>	<u>73,086</u>	<u>88,397</u>	<u>15,311</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 77,958</u>	<u>\$ 64,958</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LIBRARY RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,500	\$ 1,500	\$ 1,276	\$ (224)
Intergovernmental	4,200	4,200	5,127	927
Contributions	3,000	3,000	1,147	(1,853)
Fines and forfeitures	15,000	15,000	13,964	(1,036)
Rental income	1,500	1,500	860	(640)
Interest on investments	-	-	87	87
<b>TOTAL REVENUES</b>	<u>25,200</u>	<u>25,200</u>	<u>22,461</u>	<u>(2,739)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation:				
Materials and services	29,000	29,000	3,726	25,274
Capital outlay	15,000	15,000	131	14,869
<b>TOTAL EXPENDITURES</b>	<u>44,000</u>	<u>44,000</u>	<u>3,857</u>	<u>40,143</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(18,800)</u>	<u>(18,800)</u>	<u>18,604</u>	<u>37,404</u>
<b>NET CHANGE IN FUND BALANCE</b>	(18,800)	(18,800)	18,604	37,404
<b>FUND BALANCE, Beginning</b>	<u>32,000</u>	<u>32,000</u>	<u>52,654</u>	<u>20,654</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ 71,258</u>	<u>\$ 58,058</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**HERMISTON URBAN RENEWAL AGENCY FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 29,000	\$ 29,000	\$ 33,329	\$ 4,329
<b>TOTAL REVENUES</b>	<u>29,000</u>	<u>29,000</u>	<u>33,329</u>	<u>4,329</u>
<b>EXPENDITURES</b>				
Current:				
Economic development:				
Materials and services	178,000	178,000	148,776	29,224
Debt service	<u>10,500</u>	<u>10,500</u>	<u>10,491</u>	<u>9</u>
<b>TOTAL EXPENDITURES</b>	<u>188,500</u>	<u>188,500</u>	<u>159,267</u>	<u>29,233</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(159,500)</u>	<u>(159,500)</u>	<u>(125,938)</u>	<u>33,562</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan proceeds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(59,500)	(59,500)	(25,938)	33,562
Budgetary basis adjustment	-	-	(90,838)	(90,838)
<b>FUND BALANCE, Beginning</b>	<u>73,500</u>	<u>73,500</u>	<u>24,521</u>	<u>(48,979)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ (92,255)</u>	<u>\$ (106,255)</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**RESERVE FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,161,850	\$ 1,176,850	\$ 501,216	\$ (675,634)
System development charges	45,000	45,000	46,689	1,689
Interest on investments	<u>50,000</u>	<u>50,000</u>	<u>21,920</u>	<u>(28,080)</u>
<b>TOTAL REVENUES</b>	<u>1,256,850</u>	<u>1,271,850</u>	<u>569,825</u>	<u>(702,025)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Materials and services	817,274	865,009	311,283	553,726
Capital outlay	4,026,798	4,037,848	960,461	3,077,387
Contingency	<u>65,245</u>	<u>59,710</u>	<u>-</u>	<u>59,710</u>
<b>TOTAL EXPENDITURES</b>	<u>4,909,317</u>	<u>4,962,567</u>	<u>1,271,744</u>	<u>3,690,823</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,652,467)</u>	<u>(3,690,717)</u>	<u>(701,919)</u>	<u>2,988,798</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	939,882	981,818	972,315	(9,503)
Interfund loan repayment	(165,000)	(165,000)	(165,000)	-
Transfers out	<u>(263,000)</u>	<u>(263,000)</u>	<u>(263,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>511,882</u>	<u>553,818</u>	<u>544,315</u>	<u>(9,503)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,140,585)	(3,136,899)	(157,604)	2,979,295
Budgetary basis adjustment	-	-	165,000	165,000
<b>FUND BALANCE, Beginning</b>	<u>4,133,358</u>	<u>4,171,608</u>	<u>4,945,501</u>	<u>773,893</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 992,773</u>	<u>\$ 1,034,709</u>	<u>\$ 4,952,897</u>	<u>\$ 3,918,188</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SENIOR CENTER CONSTRUCTION FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,929,000	\$ 1,935,800	\$ 442,098	\$ (1,493,702)
Interest on investments	-	-	894	894
<b>TOTAL REVENUES</b>	<u>1,929,000</u>	<u>1,935,800</u>	<u>442,992</u>	<u>(1,492,808)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>2,706,300</u>	<u>2,713,100</u>	<u>536,483</u>	<u>2,176,617</u>
<b>TOTAL EXPENDITURES</b>	<u>2,706,300</u>	<u>2,713,100</u>	<u>536,483</u>	<u>2,176,617</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(777,300)</u>	<u>(777,300)</u>	<u>(93,491)</u>	<u>683,809</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(27,300)	(27,300)	656,509	683,809
<b>FUND BALANCE, Beginning</b>	<u>27,300</u>	<u>27,300</u>	<u>24,796</u>	<u>(2,504)</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 681,305</u></u>	<u><u>\$ 681,305</u></u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**2017 FF&C HURA FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 3,356	\$ 3,356
<b>TOTAL REVENUES</b>	-	-	3,356	3,356
<b>EXPENDITURES</b>				
Current:				
Economic development:				
Materials and services	-	24,109	28,478	(4,369)
Capital outlay	-	1,500,000	-	1,500,000
<b>TOTAL EXPENDITURES</b>	-	1,524,109	28,478	1,495,631
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(1,524,109)	(25,122)	1,498,987
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	1,524,109	1,475,000	(49,109)
Bond premium	-	-	49,109	49,109
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	1,524,109	1,524,109	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	1,498,987	1,498,987
<b>FUND BALANCE, Beginning</b>	-	-	-	-
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,498,987</u>	<u>\$ 1,498,987</u>

\*\*Exempt from Oregon Budget Law

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**2017 FF&C TPA FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 933	\$ 933
<b>TOTAL REVENUES</b>	-	-	933	933
<b>EXPENDITURES</b>				
Current:				
Economic development:				
Materials and services	-	40,830	40,932	(102) **
Capital outlay	-	2,150,000	2,150,000	-
<b>TOTAL EXPENDITURES</b>	-	2,190,830	2,190,932	(102)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(2,190,830)	(2,189,999)	831
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	2,190,830	2,120,000	(70,830)
Bond premium	-	-	70,830	70,830
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	2,190,830	2,190,830	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	831	831
<b>FUND BALANCE, Beginning</b>	-	-	-	-
<b>FUND BALANCE, Ending</b>	\$ -	\$ -	\$ 831	\$ 831

\*\*Exempt from Oregon Budget Law



**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**BONDED DEBT FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 260,000	\$ 260,000	\$ 255,239	\$ (4,761)
<b>TOTAL REVENUES</b>	<u>260,000</u>	<u>260,000</u>	<u>255,239</u>	<u>(4,761)</u>
<b>EXPENDITURES</b>				
Debt service	<u>510,275</u>	<u>510,275</u>	<u>510,261</u>	<u>14</u>
<b>TOTAL EXPENDITURES</b>	<u>510,275</u>	<u>510,275</u>	<u>510,261</u>	<u>14</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(250,275)</u>	<u>(250,275)</u>	<u>(255,022)</u>	<u>(4,747)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>189,925</u>	<u>189,925</u>	<u>189,925</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>189,925</u>	<u>189,925</u>	<u>189,925</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(60,350)	(60,350)	(65,097)	(4,747)
<b>FUND BALANCE, Beginning</b>	<u>250,000</u>	<u>250,000</u>	<u>246,965</u>	<u>(3,035)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 189,650</u>	<u>\$ 189,650</u>	<u>\$ 181,868</u>	<u>\$ (7,782)</u>

See auditor's report.



*Where Life is Sweet*

## BUDGETARY COMPARISON SCHEDULES

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### Proprietary Funds

#### Enterprise Funds

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

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ENERGY OPERATIONS COMBINED**  
**For the Fiscal Year Ended June 30, 2017**

	<b>Energy Services Fund</b>	<b>2016 FF&amp;C Electric Fund</b>	<b>Total Energy Operations</b>
<b>REVENUES</b>			
Charges for services	\$ 8,582,768	\$ -	\$ 8,582,768
Interest on investments	13,580	37,684	51,264
Miscellaneous	50	-	50
<b>TOTAL REVENUES</b>	<u>8,596,398</u>	<u>37,684</u>	<u>8,634,082</u>
<b>EXPENDITURES</b>			
Current:			
Personal services	258,936	-	258,936
Materials and services	6,899,225	170,103	7,069,328
Capital outlay	658,042	356,409	1,014,451
Debt service	337,792	-	337,792
<b>TOTAL EXPENDITURES</b>	<u>8,153,995</u>	<u>526,512</u>	<u>8,680,507</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>442,403</u>	<u>(488,828)</u>	<u>(46,425)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	15,530,000	15,530,000
Bond premium	-	909,893	909,893
Payments to bond escrow agent to refund debt	-	(11,766,013)	(11,766,013)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>4,673,880</u>	<u>4,673,880</u>
<b>NET CHANGE IN FUND BALANCE</b>	442,403	4,185,052	4,627,455
<b>FUND BALANCE, Beginning, As adjusted</b>	<u>3,605,287</u>	<u>-</u>	<u>3,605,287</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 4,047,690</u>	<u>\$ 4,185,052</u>	8,232,742
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Prepaid items			2,200
Capital assets, net of depreciation			11,766,644
Deferred amounts on refunding			214,551
Pension contributions after measurement date			150,426
Deferred inflows - pension			(22,032)
Accrued interest payable			(40,043)
Net pension liability			(274,309)
Long-term debt			<u>(16,407,668)</u>
<b>NET POSITION, Ending</b>			<u>\$ 3,622,511</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ENERGY SERVICES FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 9,065,249	\$ 8,475,501	\$ 8,582,768	\$ 107,267
Interest on investments	45,000	45,000	13,580	(31,420)
Miscellaneous	-	-	50	50
<b>TOTAL REVENUES</b>	<u>9,110,249</u>	<u>8,520,501</u>	<u>8,596,398</u>	<u>75,897</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services	263,399	263,399	258,936	4,463
Materials and services	7,049,135	7,049,135	6,899,225	149,910
Capital outlay	1,002,500	648,652	658,042	(9,390)
Debt service	836,060	600,160	337,792	262,368
Contingency	<u>1,500,000</u>	<u>1,500,000</u>	-	<u>1,500,000</u>
<b>TOTAL EXPENDITURES</b>	<u>10,651,094</u>	<u>10,061,346</u>	<u>8,153,995</u>	<u>1,907,351</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,540,845)</u>	<u>(1,540,845)</u>	<u>442,403</u>	<u>1,983,248</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,540,845)	(1,540,845)	442,403	1,983,248
<b>FUND BALANCE, Beginning, As adjusted</b>	<u>2,860,000</u>	<u>2,860,000</u>	<u>3,605,287</u>	<u>745,287</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,319,155</u>	<u>\$ 1,319,155</u>	<u>\$ 4,047,690</u>	<u>\$ 2,728,535</u>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**2016 FF&C ELECTRIC FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 37,684	\$ 37,684
<b>TOTAL REVENUES</b>	-	-	37,684	37,684
<b>EXPENDITURES</b>				
Current:				
Materials and services	-	170,103	170,103	-
Capital outlay	-	4,500,000	356,409	4,143,591
<b>TOTAL EXPENDITURES</b>	-	4,670,103	526,512	4,143,591
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(4,670,103)	(488,828)	4,181,275
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	4,670,103	15,530,000	10,859,897
Bond premium	-	-	909,893	909,893
Payments to bond escrow agent to refund debt	-	-	(11,766,013)	(11,766,013)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	4,670,103	4,673,880	3,777
<b>NET CHANGE IN FUND BALANCE</b>	-	-	4,185,052	4,185,052
<b>FUND BALANCE, Beginning</b>	-	-	-	-
<b>FUND BALANCE, Ending</b>	\$ -	\$ -	\$ 4,185,052	\$ 4,185,052

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**UTILITY OPERATIONS COMBINED**  
**For the Fiscal Year Ended June 30, 2017**

	Utility Fund	2017 FF&C Sewer and Water Fund	Total Utility Operations
<b>REVENUES</b>			
Charges for services	\$ 5,271,534	\$ -	\$ 5,271,534
Interest on investments	7,042	7,123	14,165
Miscellaneous	20,946	-	20,946
<b>TOTAL REVENUES</b>	<b>5,299,522</b>	<b>7,123</b>	<b>5,306,645</b>
<b>EXPENDITURES</b>			
Current:			
Sewer	3,276,021	28,599	3,304,620
Water	1,637,494	32,412	1,669,906
Capital outlay	110,815	1,316,971	1,427,786
Debt service	2,024,390	-	2,024,390
<b>TOTAL EXPENDITURES</b>	<b>7,048,720</b>	<b>1,377,982</b>	<b>8,426,702</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,749,198)</b>	<b>(1,370,859)</b>	<b>(3,120,057)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	3,160,000	3,160,000
Bond premium	-	105,614	105,614
Transfers in	263,000	-	263,000
Transfers out	(379,475)	-	(379,475)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(116,475)</b>	<b>3,265,614</b>	<b>3,149,139</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,865,673)</b>	<b>1,894,755</b>	<b>29,082</b>
<b>FUND BALANCE, Beginning</b>	<b>2,953,646</b>	<b>-</b>	<b>2,953,646</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 1,087,973</b>	<b>\$ 1,894,755</b>	<b>2,982,728</b>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Prepaid items			29,400
Capital assets, net of depreciation			41,629,076
Pension contributions after measurement date			1,348,646
Deferred inflows - pension			(197,528)
Accrued interest payable			(186,204)
Compensated absences			(85,305)
Net pension liability			(2,459,322)
Long-term debt			(28,085,965)
<b>NET POSITION, Ending</b>			<b>\$ 14,975,526</b>

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**UTILITY FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 5,378,920	\$ 5,378,920	\$ 5,271,534	\$ (107,386)
Interest on investments	8,000	8,000	7,042	(958)
Miscellaneous	20,900	20,900	20,946	46
<b>TOTAL REVENUES</b>	<u>5,407,820</u>	<u>5,407,820</u>	<u>5,299,522</u>	<u>(108,298)</u>
<b>EXPENDITURES</b>				
Sewer	1,915,850	3,336,050	3,276,021	60,029
Water	1,723,370	1,723,370	1,748,309	(24,939)
Debt service	2,517,125	2,517,125	2,024,390	492,735
<b>TOTAL EXPENDITURES</b>	<u>6,156,345</u>	<u>7,576,545</u>	<u>7,048,720</u>	<u>527,825</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(748,525)</u>	<u>(2,168,725)</u>	<u>(1,749,198)</u>	<u>419,527</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	263,000	263,000	263,000	-
Transfers out	(379,475)	(379,475)	(379,475)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(116,475)</u>	<u>(116,475)</u>	<u>(116,475)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(865,000)	(2,285,200)	(1,865,673)	419,527
<b>FUND BALANCE, Beginning</b>	<u>1,640,000</u>	<u>3,060,200</u>	<u>2,953,646</u>	<u>(106,554)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 775,000</u>	<u>\$ 775,000</u>	<u>\$ 1,087,973</u>	<u>\$ 312,973</u>

See auditor's report.



**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**2017 FF&C SEWER AND WATER FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	-	-	7,123	7,123
<b>TOTAL REVENUES</b>	-	-	7,123	7,123
<b>EXPENDITURES</b>				
Current:				
Materials and services	-	65,614	61,011	4,603
Capital outlay	-	3,200,000	1,316,971	1,883,029
<b>TOTAL EXPENDITURES</b>	-	3,265,614	1,377,982	1,887,632
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(3,265,614)	(1,370,859)	1,894,755
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	3,265,614	3,160,000	(105,614)
Bond premium	-	-	105,614	105,614
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	3,265,614	3,265,614	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	1,894,755	1,894,755
<b>FUND BALANCE, Beginning</b>	-	-	-	-
<b>FUND BALANCE, Ending</b>	\$ -	\$ -	\$ 1,894,755	\$ 1,894,755

See auditor's report.

**CITY OF HERMISTON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**REGIONAL WATER FUND**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 717,060	\$ 717,060	\$ 660,458	\$ (56,602)
Interest on investments	-	-	796	796
<b>TOTAL REVENUES</b>	<u>717,060</u>	<u>717,060</u>	<u>661,254</u>	<u>(55,806)</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services	187,715	195,715	196,149	(434)
Materials and services	535,815	636,315	677,257	(40,942)
Contingency	593,530	593,530	-	593,530
<b>TOTAL EXPENDITURES</b>	<u>1,317,060</u>	<u>1,425,560</u>	<u>873,406</u>	<u>552,154</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(600,000)</u>	<u>(708,500)</u>	<u>(212,152)</u>	<u>496,348</u>
<b>NET CHANGE IN FUND BALANCE</b>	(600,000)	(708,500)	(212,152)	496,348
<b>FUND BALANCE, Beginning</b>	<u>600,000</u>	<u>708,500</u>	<u>768,941</u>	<u>60,441</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	556,789	<u>\$ 556,789</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Prepaid items			1,200	
Capital assets, net of depreciation			6,537,801	
Pension contributions after measurement date			128,555	
Deferred inflows - pension			(18,829)	
Net pension liability			<u>(234,424)</u>	
<b>NET POSITION, Ending</b>			<u>\$ 6,971,092</u>	

See auditor's report.

# **STATISTICAL SECTION**

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*Where Life is Sweet*

## STATISTICAL SECTION

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

### **Financial Trends**

- These schedules contain trend information to help the reader understand how financial performance has changed over time.

### **Revenue Capacity**

- These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

### **Debt Capacity**

- These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

### **Demographic and Economic Information**

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### **Operating Information**

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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



*Where Life is Sweet*

## **FINANCIAL TRENDS**

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 13,373,217
Restricted	-	-	1,464,314	3,008,653	2,600,026	2,576,299	1,721,429	2,238,796	2,210,641	2,645,719
Unrestricted	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	10,234,333
<b>Total governmental activities net position</b>	<b>\$ 17,850,057</b>	<b>\$ 17,999,231</b>	<b>\$ 18,944,603</b>	<b>\$ 20,006,816</b>	<b>\$ 20,357,418</b>	<b>\$ 23,322,045</b>	<b>\$ 23,745,026</b>	<b>\$ 23,461,537</b>	<b>\$ 26,532,544</b>	<b>\$ 26,253,269</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 21,734,246
Restricted	-	-	-	-	-	-	4,766,504	910,400	-	-
Unrestricted	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	3,834,883
<b>Total business-type activities net position</b>	<b>\$ 17,061,424</b>	<b>\$ 18,472,854</b>	<b>\$ 19,891,849</b>	<b>\$ 21,272,589</b>	<b>\$ 22,347,568</b>	<b>\$ 22,448,599</b>	<b>\$ 22,444,949</b>	<b>\$ 25,061,981</b>	<b>\$ 27,417,979</b>	<b>\$ 25,569,129</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 32,983,167
Restricted	-	-	1,464,314	3,008,653	2,600,026	2,576,299	6,487,933	3,149,196	2,210,641	2,645,719
Unrestricted	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	16,193,512
<b>Total primary government net position</b>	<b>\$ 34,911,481</b>	<b>\$ 36,472,085</b>	<b>\$ 38,836,452</b>	<b>\$ 41,279,405</b>	<b>\$ 42,704,986</b>	<b>\$ 45,770,644</b>	<b>\$ 46,189,975</b>	<b>\$ 48,523,518</b>	<b>\$ 53,950,523</b>	<b>\$ 51,822,398</b>





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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	140,838
Restricted	-	-	-	-	-	-	-	-	-	82,415
Assigned	-	-	-	55,000	-	1,859,278	1,502,800	1,553,269	207,250	-
Unassigned	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	3,879,518
Total general fund	\$ 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	\$ 4,102,771
All other governmental funds	\$ -	\$ -	\$ 21,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	4,047,028	3,971,670	4,086,817	-	-	-	-	-	-	-
Debt service funds	112,239	106,557	154,946	-	-	-	-	-	-	-
Nonspendable	-	-	-	106,260	106,839	1,682,405	1,501,658	-	-	26,334
Restricted	-	-	-	3,010,653	2,600,026	2,501,362	1,721,429	2,238,796	2,210,641	4,062,291
Committed	-	-	-	1,560,134	1,940,657	3,818,631	5,178,081	6,097,014	5,237,009	5,332,394
Assigned	-	-	-	-	-	-	-	-	-	42,051
Unassigned	-	-	-	-	-	-	-	-	-	(92,255)
Total all other governmental funds	\$ 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	\$ 9,370,815
Total all funds	\$ 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	\$ 13,473,586

\* 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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 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	\$ 5,456,324
Transient room tax	320,022	339,377	363,115	364,064	413,789	441,185	588,111	515,452	558,871	782,067
Licenses & franchise fees	429,945	513,764	417,007	395,146	401,519	388,510	413,657	413,696	413,336	421,448
Charges for services	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	1,566,909
Intergovernmental	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	2,811,297
Fines and forfeits	534,927	676,666	821,037	703,996	650,872	718,828	666,095	802,025	838,433	644,588
Investment interest	203,167	52,759	10,873	14,455	4,109	21,485	130,246	87,699	85,479	53,797
Miscellaneous	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	350,195
<b>Total revenues</b>	<b>9,414,725</b>	<b>10,494,827</b>	<b>10,117,677</b>	<b>10,075,947</b>	<b>9,989,371</b>	<b>10,490,142</b>	<b>11,002,322</b>	<b>13,506,623</b>	<b>17,444,317</b>	<b>12,086,625</b>
<b>Expenditures</b>										
General government	\$ 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	\$ 2,566,425
Public safety	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	4,785,629
Highways and streets	848,896	813,932	715,241	611,728	580,281	618,522	733,546	635,584	689,398	660,187
Economic development	55,184	93,848	129,900	15,500	-	-	-	77,207	82,723	411,483
Culture and recreation	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	2,202,457
Capital outlay	788,371	1,688,420	284,884	376,545	681,704	864,410	1,033,467	4,124,944	7,820,601	3,884,238
Debt service										
Principle	128,000	40,000	45,000	45,000	55,000	60,000	135,000	330,000	335,000	340,000
Interest	154,355	148,439	147,309	145,981	144,363	72,907	96,085	183,523	177,635	171,590
<b>Total expenditures</b>	<b>9,338,213</b>	<b>11,081,560</b>	<b>8,890,005</b>	<b>8,575,590</b>	<b>9,160,243</b>	<b>10,199,978</b>	<b>10,594,021</b>	<b>13,855,643</b>	<b>18,459,313</b>	<b>15,022,009</b>
Excess of revenues over (under) expenditures	76,512	(586,733)	1,227,672	1,500,357	829,128	290,164	408,301	(349,020)	(1,014,996)	(2,935,384)
<b>Other financing sources (uses)</b>										
Transfers in	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	3,248,918
Transfers out	(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)	(2,711,585)
Change in joint venture fund balance	-	-	-	-	-	1,492,582	(195,218)	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-	-	3,595,000
Bond premium	-	-	-	-	-	-	-	-	-	119,939
<b>Total other financing sources (uses)</b>	<b>520,965</b>	<b>(214,228)</b>	<b>182,056</b>	<b>(28,473)</b>	<b>(359,513)</b>	<b>2,357,020</b>	<b>(229,286)</b>	<b>2,059,544</b>	<b>(271,667)</b>	<b>4,252,272</b>
<b>Net change in fund balances</b>	<b>\$ 597,477</b>	<b>\$ (800,961)</b>	<b>\$ 1,409,728</b>	<b>\$ 1,471,884</b>	<b>\$ 469,615</b>	<b>\$ 2,647,184</b>	<b>\$ 179,015</b>	<b>\$ 1,710,524</b>	<b>\$ (1,286,663)</b>	<b>\$ 1,316,888</b>
<b>Debt service as a percentage of non-capital expenditures ((Debt/Other Exp)-Capital Additions)</b>	<b>3.30%</b>	<b>2.01%</b>	<b>2.23%</b>	<b>2.33%</b>	<b>2.35%</b>	<b>1.42%</b>	<b>2.42%</b>	<b>3.82%</b>	<b>3.52%</b>	<b>3.79%</b>



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## **REVENUE CAPACITY**

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

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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
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%
2017	878,853,797	52,015,630	29,749,456	960,618,883	6.82	1,070,438,667	89.74%

**Source:** Umatilla County Assessment and Taxation

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

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

**CITY OF HERMISTON , OREGON  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING DEBT SCHEDULE  
June 30, 2017**

	Fiscal Year Ended June 30, 2017									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Direct rates</b>										
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	0.30	0.38	0.40	0.35	0.46	0.51	0.52	0.48	0.50
Hermiston Urban Renewal District	0.43	0.43	0.43	-	-	-	-	-	-	-
Total direct rates	<u>6.82</u>	<u>6.82</u>	<u>6.90</u>	<u>6.49</u>	<u>6.44</u>	<u>6.55</u>	<u>6.60</u>	<u>6.61</u>	<u>6.57</u>	<u>6.59</u>
<b>Overlapping rates</b>										
Umatilla County	2.85	3.04	3.03	3.06	3.10	3.11	3.11	3.11	3.11	3.12
Hermiston School District #8	8.94	8.97	9.02	9.02	9.01	8.98	9.12	9.26	7.40	8.07
Intermountain E.S.D.	0.62	0.62	0.62	0.62	0.62	0.62	0.56	0.56	0.56	0.56
Blue Mountain Communitirt College	0.66	0.66	0.66	0.95	0.96	0.96	0.97	0.97	0.96	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 Cemetary 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	1.75	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	0.17	-	-	-	-
West Umatilla Mosquito Control District	0.29	0.28	0.24	0.38	0.29	0.29	0.29	0.34	0.25	0.25
Total overlapping rates	<u>15.52</u>	<u>15.18</u>	<u>15.18</u>	<u>15.64</u>	<u>15.59</u>	<u>15.57</u>	<u>15.49</u>	<u>15.68</u>	<u>13.72</u>	<u>14.43</u>
Total Rates	<u>22.34</u>	<u>22.00</u>	<u>22.08</u>	<u>22.13</u>	<u>22.03</u>	<u>22.12</u>	<u>22.09</u>	<u>22.29</u>	<u>20.29</u>	<u>21.02</u>

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

	2008			2017		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
WAL-MART STORES EAST LP	31,977,060	1	4.80%	32,160,070	1	3.82%
PIONEER HI BRED	-		0.00%	16,063,250	2	1.91%
CHARTER COMMUNICATIONS	-		0.00%	9,558,400	3	1.14%
HD DEVELOPMENT OF MARYLAND INC	-		0.00%	9,607,710	4	1.14%
WAL-MART REAL ESTATE BUSINESS TRU	-		0.00%	9,534,030	5	1.13%
WAL-MART/SAMS CLUB -BPP USO6037	6,660,720	7	1.00%	10,509,170	6	1.25%
HERMISTON PARTNERS 1 LLC	-		0.00%	4,262,700	7	0.51%
TETON VENTURE LLC & TRIUMPH PROPERTY	-		0.00%	8,490,330	8	1.01%
CDS HERMISTON, LLC	4,230,470	10	0.60%	5,679,890	9	0.67%
STERLING RIDGE APARTMENTS, LLC	-		0.00%	5,635,760	10	0.67%
UMATILLA ELECTRIC CO-OP ASSN	5,929,650	9	0.90%	-		0.00%
HOME DEPOT USA INC.	9,056,200	2	1.4%	-		0.00%
RETAIL TRUST #2	8,509,970	3	1.30%	-		0.00%
PK SALE, LLC	7,157,960	4	1.10%	-		0.00%
U.S. WEST COMMUNICATIONS	7,016,600	5	1.00%	-		0.00%
HERMISTON FOODS LLC	6,469,530	8	1.00%	-		0.00%
CMH MANUFACTURING WEST, INC	6,684,660	6	1.00%	-		0.00%
<b>Totals</b>	<b>93,692,820</b>		<b>14.10%</b>	<b>111,501,310</b>		<b>13.25%</b>

**Source:** Umatilla County Assessment and Taxation



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

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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
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%	350,324	4,860,092	100.0%
2011	4,938,735	4,586,786	92.9%	352,230	4,938,735	100.0%
2012	4,997,696	4,641,447	92.9%	357,952	4,997,696	100.0%
2013	5,035,471	4,719,222	93.7%	295,257	5,014,479	99.6%
2014	5,073,454	4,760,155	93.8%	129,593	4,889,748	96.4%
2015	5,351,320	5,024,002	93.9%	34,242	5,058,244	94.5%
2016	5,454,892	5,145,592	94.3%	81,181	5,226,773	95.8%
2017	5,413,837	5,180,279	95.7%	-	5,180,279	95.7%

**Source:** Umatilla County Tax Collector's office



*Where Life is Sweet*

## **DEBT CAPACITY**

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

Fiscal Year	Governmental Activities			Business - Type Activities					Percentage of Personal Income	Per Capita	Population
	General Obligation Bonds	Street Revenue Bonds	Revenue Bonds	Refunding Bonds	Notes Payable	Other Notes	Total Primary Government				
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	
2017	8,763,957	-	24,629,300	-	19,864,333	-	53,257,590	N/A	2971	17,925	

**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
2017	8,763,957	181,868	8,582,089	0.89%	479	17,925	960,618,883

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

**Sources:**

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

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

Fiscal Year	Utility			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
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
2017	5,292,480	5,222,163	70,317	303,413	212,806	0.14

Fiscal Year	Electric			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
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
2017	8,582,818	6,945,533	1,637,285	-	291,013	5.63

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

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

**CITY OF HERMISTON , OREGON**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2017**

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<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Amount Applicable to the City</b>
Umatilla County	\$ 262,050	14.51%	\$ 38,013
Umatilla County School District #8 (Hermiston)	86,673,373	40.62%	35,207,157
Umatilla County School District #61 (Stanfield)	3,590,927	11.20%	402,159
Port of Umatilla	713,574	14.51%	103,510
East Umatilla RFPD	120,000	33.14%	39,767
Blue Mountain Community College	<u>29,840,000</u>	8.41%	<u>2,508,410</u>
<b>Total overlapping debt</b>	<u>121,199,924</u>		<u>38,299,016</u>
<b>City direct debt</b>	<u>8,763,957</u>	100.00%	<u>8,763,957</u>
<b>Total direct and overlapping debt</b>	<u>\$ 129,963,881</u>		<u>\$ 47,062,973</u>

**Source:** State of Oregon, Debt Management Division

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

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

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True Cash Value (1)	\$ 1,070,438,667
	x 3%
General Obligation Debt Limit (2)	32,113,160
Gross bonded debt subject to limitation	2,045,000
Legal debt margin available for future indebtedness	\$ 30,068,160
Total net debt applicable to the limit as a percentage of debt limit	6.80%

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
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%
2017	1,070,438,667	32,113,160	2,045,000	\$ 30,068,160	6.80%

**Sources:**

(1) From Umatilla County Assessment and Taxation

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



## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

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

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Fiscal Year	Population (1)	Umatilla County Per Capita Income	Total Personal Income	Unemployment Rate Umatilla County (2)
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%
2017	17,925	*	*	5.6%

**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**

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Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Con-Agra Foods	1,320	1	11.25%	500	3	4.60%
Wal-Mart Distribution	1,200	2	10.00%	500	1	4.60%
Good Shepherd Medical Center	572	3	5.00%	426	6	3.90%
River Point Farms	550	4	4.70%	N/A	N/A	N/A
Hermiston School District	519	5	4.50%	420	7	3.90%
Union Pacific Railroad	500	6	3.90%	435	4	4.00%
Wal-Mart Supercenter	400	7	3.50%	356	9	3.30%
Shearers	360	8	3.10%	N/A	N/A	N/A
Hermiston Foods	325	9	2.80%	300	10	2.80%
Medelez Trucking	200	10	1.70%	N/A	N/A	N/A
	<u>5,946</u>		<u>50.45%</u>	<u>2,937</u>		<u>27.10%</u>

**Source:**  
 Hermiston Chamber of Commerce

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

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

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Government	11.2	11.2	6.5	5.89	7.97	8.17	9.66	9.52	10.72	10.77
Public Safety	35	35	33	33	36	35.1	35.5	30.5	30.5	30.5
Highways and streets	6.3	6.3	5.6	5.83	5.34	5.65	6.33	6.47	5.33	5.33
Culture and recreation	27.5	27.5	23.5	27.3	28.72	24.95	23.8	23	23.5	23.5
Water	10.7	10.7	10	9.92	10.62	10.66	10.59	10.63	10.63	10.63
Sewer	11.4	11.4	11	8.59	11.28	11.62	11.26	11.3	11.3	11.3
Electric	2.4	2.4	2.4	2.54	2.33	2.31	2.38	2.31	2.31	2.31
<b>Total</b>	<b>104.5</b>	<b>104.5</b>	<b>92</b>	<b>93.07</b>	<b>102.26</b>	<b>98.46</b>	<b>99.52</b>	<b>93.73</b>	<b>94.29</b>	<b>94.34</b>

**Source:** City Administration Department

## **OPERATING INFORMATION**

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
General Government										
Number of Senior Citizen Taxi Program										
Tickets Sold	34,766	32,976	32,073	31,108	30,234	30,706	30,306	27,095	21,336	16,066
Number of building inspections	881	**	**	**	**	**	**	**	**	**
Public Safety										
Total Police Incidents	26,654	36,841	33,621	27,085	26,149	24,114	23,878	23,237	23,193	20,587
Officer initiated	11,149	22,869	19,893	12,283	10,476	9,335	9,160	13,205	13,097	10,457
Calls for police services	15,505	13,972	13,728	14,802	15,673	14,779	14,718	10,032	10,096	10,130
Number of traffic stops	5,196	8,177	6,397	4,778	4,932	5,113	4,227	6,596	6,699	4,595
Highways and streets										
Estimated miles of streets swept	5,000	6,800	5,237	6,200	4,964	3,205	3,301	3,541	3,486	3,506
Cultural and recreation										
Number of library items checked out	100,886	102,527	100,412	86,997	84,388	83,791	82,195	80,327	67,243	68,738
Number of library patrons	10,245	10,217	8,773	9,565	10,462	11,064	12,700	9,279	10,447	10,991
<b>Business-type activities</b>										
Water										
Number of accounts	4,411	4,495	4,543	4,707	4,751	4,801	4,828	4,912	5,001	5,000
Annual consumption (in billions of gallons)	3,911	3,513	3,729	3,377	2,605	2,900	3,529	2,638	3,261	1,764
Sewer										
Number of accounts	4,314	4,604	4,428	4,449	4,504	4,540	4,585	4,665	4,736	4,801
Electricity										
Number of accounts	5,230	5,266	5,296	5,263	5,291	5,337	5,171	5,189	5,277	5,317
KWH sold	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	108,323,018

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

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

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
General government										
Administrative buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Car	16	13	11	12	15	13	11	10	10	11
Bus	1	-	-	-	-	-	-	-	-	-
Motorcycles	2	2	2	2	2	2	1	1	1	1
Highways and streets										
Streets (miles)	60	60	62	62	62	64	64	73	73	73
Culture and recreation										
Library Collections:										
Printed materials	36,305	34,121	34,973	35,578	35,714	34,716	33,361	33,457	35,229	35,476
Audio materials	2,054	2,607	1,665	1,813	1,768	1,547	1,610	1,670	1,765	1,803
Video materials	1,618	1,759	1,707	1,961	1,734	1,725	1,782	1,733	2,082	1,955
Electronic materials	3,451	3,451	3,451	3,412	3,451	3,451	3,452	3,452	32,984	68,879
<b>Business-type activities</b>										
Water										
Miles of city water line	66	68	69	69	69	76	76	77	77	77
Miles of regional water system water line	14	14	14	14	14	14	17	17	17	17
City wells	6	6	6	6	6	6	5	5	5	5
Sewer										
Storm water pump stations	*	*	*	*	3	3	3	3	3	3
sewage pump stations	8	8	8	8	8	8	8	9	9	9
Clarifiers/sludge storage	4	4	4	4	4	4	4	4	5	5
Gravity thickeners	2	2	1	1	1	1	1	1	-	-
Electric										
Miles of overhead line	37	37	37	37	37	37	37	37	158	158
Miles of underground line	25	26	27	28	28	28	28	28	28	29
Transformers	1,643	1,667	1,321	1,381	1,397	1,359	1,415	1,435	1,834	1,472

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

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

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Budgeted 2018
<b>Revenues</b>					
Taxes	4,716,922	4,917,591	5,021,221	5,167,756	5,168,340
Licenses & Franchises	780,235	787,034	822,166	847,815	835,660
Fines & Penalties	466,587	583,178	583,006	450,653	548,500
Use of City Money	127,562	42,077	45,719	22,958	35,000
From Other Agencies	516,821	499,937	442,492	585,466	572,780
Service Charges	1,569,118	1,659,546	1,455,283	1,433,221	1,478,430
Non-Revenue Receipts	28,717	-	89,334	1,500	148,425
Miscellaneous Revenues	120,851	134,855	105,912	198,094	105,000
Interfund Transfers	-	-	710,651	789,814	620,265
Interfund Loan Proceeds	-	-	55,000	160,491	-
Cash Forward	4,696,398	4,611,338	4,813,537	4,709,051	3,003,715
<b>Total Revenues</b>	<b>13,023,211</b>	<b>13,235,556</b>	<b>14,144,321</b>	<b>14,366,819</b>	<b>12,516,115</b>
<b>Expenditures</b>					
City Council	30,242	21,893	30,797	60,354	61,260
Manager/Planning	269,980	331,667	403,542	441,466	493,310
Finance	63,624	51,753	53,195	75,940	127,210
Legal Counsel	252,564	183,697	188,271	88,231	85,250
Court	213,004	224,058	245,564	416,905	439,285
Transportation	180,749	159,853	132,586	240,555	274,300
Airport	287,296	198,687	203,558	177,944	252,120
Building Inspections	320,640	323,763	337,484	358,449	381,910
Parks	480,484	433,530	452,403	471,883	496,120
Parks/Utility Landscaping	-	-	24,622	21,123	43,975
Municipal Pool	359,787	387,450	376,766	349,886	417,140
Municipal Buildings	10,582	10,740	10,166	16,255	124,240
Library	573,281	593,812	642,882	663,355	789,530
Recreation	382,704	416,732	507,756	531,450	679,995
Conference Center	87,015	90,900	-	-	-
Public Safety Center	120,677	81,042	104,056	70,629	89,400
Police Operations	3,376,363	3,959,634	4,149,418	4,351,520	4,777,705
Non-departmental	1,487,573	1,040,575	1,682,205	1,768,941	2,956,505
Interfund Loan	-	165,000	90,000	100,000	-
Unappropriated Balance	-	-	-	-	26,860
<b>Total Expenditures</b>	<b>8,496,565</b>	<b>8,674,786</b>	<b>9,635,271</b>	<b>10,204,886</b>	<b>12,516,115</b>



LARGEST CUSTOMERS OF THE WATER SYSTEM 2017

TOTAL ANNUAL CONSUMPTION  
(1,000 Gallons)

AVERAGE NUMBER OF CUSTOMERS

Year	Residential	Commercial	Total	Year	Total	Customer	Industry	(1) Total Gallons	Percent of Total Consumption	Annual Water Revenue	(4) Percent of Total Operating
2017	4,613	387	5,000	2017	1,784	Hermiston Foods-Norpac	Food Processing	121,450,000	7.79%	131,535	4.44%
2016	4,531	390	4,921	2016	3,261	Village Park Graceland Holdings	Mobile Home Park	18,277,700	1.17%	21,274	0.72%
2015	4,523	389	4,912	2015	2,638	Chateaubri Park	Mobile Home Park	9,858,900	0.63%	22,894	0.77%
2014	4,439	384	4,823	2014	2,679	Good Shepherd Medical	Medical	1,031,200	0.07%	10,312	0.35%
2013	4,415	381	4,796	2013	1,473	Uma Co 4th Street Aspens	Apartments	9,052,100	0.58%	17,088	0.58%
2012	4,363	383	4,746	2012	1,444	Able Farms RV Park	RV Park	7,979,800	0.51%	8,878	0.30%
2011	4,321	381	4,702	2011	2,140	Viewcrest Apartments	Apartments	7,558,300	0.48%	20,811	0.70%
2010	4,160	378	4,538	2010	2,127	Tower Apartments	Apartments	6,130,700	0.39%	26,081	0.88%
						Uma Co Foxwood Homes	Apartments	5,886,900	0.38%	17,279	0.58%
						Sundial Apartments	Apartments	5,828,400	0.37%	18,119	0.61%
								193,054,000	12.38%	294,271	10.48%

(1) Consumption in gallons, rounded to nearest hundred, based on 2016 water consumption. Total consumption for 2017 was 1,784,364,800.

(2) Based on 2017 audited Water System total operating revenue of \$2,857,974.

(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
	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	
First 3,000 gallons (minimum charge)	15.24	15.85	16.48	17.14	17.14	17.14	2010 9%
Each 1,000 gal over 3,000 up to and including 13,000 gal	1.15	1.20	1.25	1.30	1.30	1.30	2014 8%
Each 1,000 gallons over 13,000 gallons	0.96	1.00	1.03	1.08	1.08	1.08	2015 8%
						1.13	2017 5%

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

**AVERAGE NUMBER OF CUSTOMERS**

**LARGEST CUSTOMERS OF THE SEWER SYSTEM 2017**

Year	AVERAGE NUMBER OF CUSTOMERS		Customer	Industry	(1) Total Gallons	Percent of Total Consumption	Annual Water Revenue	(2) Percent of Total Operating Revenue
	Residential	Commercial						
2017	4,414	387	4,801	Good Shepherd	9,265,300	6.35%	12,432	0.56%
2016	4,346	390	4,736	Panda Inn	4,545,300	3.12%	6,234	0.28%
2015	4,276	389	4,665	Regency Pacific Management	4,261,100	2.92%	5,839	0.26%
2014	4,201	384	4,585	Emeritus Corporation	4,139,600	2.84%	5,677	0.26%
2013	4,159	381	4,540	Five Star Auto Wash	3,915,700	2.68%	5,435	0.24%
2012	4,121	383	4,504	Wal-Mart D.C.	3,566,200	2.44%	4,933	0.22%
2011	4,068	381	4,449	Fiesta Food Hermiston	3,389,300	2.32%	4,721	0.21%
2010	4,050	378	4,428	Good Shepherd Medical Grp	3,077,100	2.11%	4,305	0.19%
				Armand Larive	2,880,200	1.97%	4,034	0.18%
				Safeway Stores	2,857,500	1.96%	3,997	0.18%
					<b>41,897,300</b>	<b>28.72%</b>	<b>57,607</b>	<b>2.71%</b>

(1) Consumption in gallons, rounded to nearest hundred, based on 2017 water consumption. Total consumption for 2017 was 136,431,300.

(2) Based on 2017 audited Sewer System total operating revenue of \$2,413,560.

**City of Hermiston  
Sewer Rates and Charges**

Consumption	Sewer Rates Effective as of						RECENT HISTORICAL SEWER RATE		
	07/01/10	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	Year	Sewer
Dwelling units - monthly flat rate	20.14	20.95	21.78	22.65	23.56	23.56	24.74	2010	9%
Motel units - per-month unit charge	12.79	13.30	13.83	14.39	14.96	14.96	15.71	2014	8%
gallons	21.93	22.81	23.72	24.67	25.65	25.65	26.93	2015	8%
Plus: per 1,000 gallons of water thereafter	1.11	1.15	1.20	1.25	1.30	1.30	1.37	2017	5%

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

	2013	2014	2015	2016	2017
Real Market Value (RMV)	941,918,787	935,091,901	986,977,008	1,033,085,828	1,070,438,667
Estimated Population	16,995	17,240	17,520	17,520	17,925
Per Capita RMV	55,423	54,240	56,334	58,966	59,718
<b>Debt Information</b>					
City Direct Debt	6,235,000	5,875,000	5,545,000	5,210,000	4,870,000
Overlapping Direct Debt	53,258,752	47,326,026	45,572,866	44,877,836	40,334,358
Total Direct Debt	59,493,752	53,201,026	51,117,866	50,087,836	45,204,358
<b>Bonded Debt Ratios</b>					
City Direct Debt to RMV	0.66%	0.63%	0.56%	0.50%	0.45%
Total Direct Debt to RMV	6.32%	5.69%	5.18%	4.85%	4.22%
Per Capita City Direct Debt	\$367	\$341	\$316	\$297	\$272
Per Capita Total Direct Debt	\$3,501	\$3,086	\$2,918	\$2,859	\$2,522
Net Direct Debt (2)	\$0	\$0	\$0	\$0	\$0
Net Direct Debt (2)	\$2,990	\$2,618	\$2,476	\$2,439	\$2,137

(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, 2017)**

<b>Overlapping Issuer Name</b>	<b>Real Market Value</b>	<b>Percent Overlapping</b>	<b>Gross Direct Debt <sup>(1)</sup></b>	<b>Net Direct Debt <sup>(2)</sup></b>
Umatilla County	7,379,352,516	14.51%	1,720,697	38,013
Umatilla County School District #8 (Hermiston)	2,507,417,327	40.62%	35,207,157	35,207,157
Umatilla County School District #61 (Stanfield)	463,533,444	11.20%	402,159	402,159
Port of Umatilla	7,379,352,516	14.51%	103,510	103,510
Blue Mountain Community College	12,733,974,276	8.41%	2,508,410	2,508,410
Umatilla-Morrow ESD	15,213,222,354	7.04%	352,658	-
East Umatilla RFPD	3,230,138,709	33.14%	39,767	39,767
	<u>48,906,991,142</u>		<u>40,334,358</u>	<u>38,299,016</u>
City of Hermiston	1,070,438,667			

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

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

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

<b>Overlapping Issuer Name</b>	<b>Real Market Value</b>	<b>Percent Overlapping</b>	<b>Gross Direct Debt <sup>(1)</sup></b>	<b>Net Direct Debt <sup>(2)</sup></b>
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)**

<b>Overlapping Issuer Name</b>	<b>Real Market Value</b>	<b>Percent Overlapping</b>	<b>Gross Direct Debt <sup>(1)</sup></b>	<b>Net Direct Debt <sup>(2)</sup></b>
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)**

<b>Overlapping Issuer Name</b>	<b>Real Market Value</b>	<b>Percent Overlapping</b>	<b>Gross Direct Debt (1)</b>	<b>Net Direct Debt (2)</b>
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)**

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

City of Hermiston

941,918,800

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

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

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

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

Actuarial valuation for 12/31/2016 is not yet available.



*Where Life is Sweet*

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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

Mayor and City Council  
City of Hermiston, Oregon

We have audited the basic financial statements of the City of Hermiston, Oregon as of and for the year ended June 30, 2017, and have issued our report thereon dated December 29, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

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

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

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

In connection with our testing nothing came to our attention that caused us to believe City of Hermiston, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for: 1) the expenditures in excess of appropriations listed in the Notes to the Required Supplementary Information and 2) the City is required to charge rates and fees in connection with the operation of its water and sewer system which are adequate to generate net revenues at least equal to 120% of annual bond debt service due in that fiscal year. The water and sewer system's net revenue was less than 120% of bond debt service in 2017 due to unusual expenses incurred for maintenance during the year. The City is taking steps listed in the master bond declaration that will keep this instance from becoming a default.

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


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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control that we consider to be a material weakness that we reported to management in a separate single audit reporting package.

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

Barnett & Moro, P.C.

By:   
Richard L. Stoddard, Shareholder  
Hermiston, Oregon  
December 29, 2017



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